IDAHO AGRICULTURE TRADE ISSUES REPORT

March 2004

Marketing Idaho Food and Agriculture
Idaho State Department of Agriculture
Division of International Trade and Domestic Market Development
(208) 332-8530

INTRODUCTION

The Trade Issues Workgroup was formed in February 1999 to address trade barriers for Idaho agriculture. The Workgroup examines sanitary and phytosanitary procedures (SPS), tariffs, quotas, animal health requirements and other trade barriers.

The workgroup is a partnership between Idaho State Department of Agriculture's Divisions of International Trade and Domestic Market Development, Plant Industries, and Animal Industries. Other key partners are Boise USDA APHIS Office, Idaho commodity commissions and the related associations, and the Idaho exporting community.

The trade issues that follow have been identified by industry as priority issues. There may be additional issues, however, that are not included. For a complete listing of potato trade issues, contact the National Potato Council for a copy of their current "National Trade Estimate Report on Foreign Trade Barriers". The Northwest Horticultural Council also has a "National Trade Estimate Report on Foreign Trade Barriers (NTE)" for tree fruit.

Issues not specifically listed in this report that may affect products produced in the state are still of concern to the Trade Issues Workgroup. The State of Idaho is interested in expanding market opportunities for all Idaho products regardless of rank or industry size. Reducing trade barriers for Idaho products will benefit Idaho farmers, ranchers and agribusinesses by giving Idaho's producers more alternatives in the marketplace.

In February 2004, two separate supporting documents for this publication were created. The first is the Glossary of Trade Terms. The second is the Archived Resolved Issues. These can be found at www.agri.idaho.gov/marketing/publicat.htm.

Industry groups and individual exporters are encouraged to submit additional issues to the Department at any time. For information, or to submit an additional trade issue, contact:

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IDAHO PRODUCTS OVERVIEW

Idaho's agriculture is plentiful and diverse. Idaho produces 144 crops and livestock commodities and ranks in the top 10 in the U.S. in over 30 products.

IDAHO CROPS

Idaho Crops (2002)	*Acres*	*Cash Receipts (1,000)*
Potatoes	373,000	$ 706,311
Wheat	1,200,000	$ 294,310
Hay	1,570,000	$ 268,026
Sugar Beets	210,000	$ 204,120
Barley	710,000	$ 150,536
Other	NA	$ 82,505
Greenhouse/Nursery	NA	$ 68,000
Onions	7,900	$ 38,076
Dry Beans	93,000	$ 34,268
Mint	17,800	$ 18,028
Corn	185,000	$ 16,765
Apples	5,400	$ 13,452
Lentils	66,000	$ 9,821
Hops	3,399	$ 8,721
Sweet Corn for processing	NA	$ 6,682
Peaches	820	$ 5,546
Dry Peas	40,000	$ 4,992
Cherries	776	$ 2,533
Oats	125,000	$ 1,403
Plums and Prunes	564	$ 1,045
Alfalfa Seed	18,000	$ * 16,922
Garden Seed Beans	14,500	$ * 11,107
Canola (Oilseed)	23,500	$ * 4,315
Red Clover Seed	1,200	$ * 696
Total 2002	**4,665,859**	**$ 1,935,140**
Total 2001	4,274,530	$ 1,787,513

* Value of Production (not included in total)

IDAHO LIVESTOCK

Idaho Livestock (2002)	*Total Head*	*Cash Receipts (1,000)*
Milk Cows/Milk	388,000	$ 917,786
Cattle and Calves	2,000,000	$ 976,261
Trout (#sold)	38,000,000	$ 30,456
Sheep and Lambs	260,000	$ 17,360
Poultry/Eggs	886,000	$ 11,616
Hogs and Pigs	22,000	$ 6,683
Other (includes Wool)	NA	$ 38,369
Total Receipts 2002		**$ 1,998,531**
Total Receipts 2001		$ 2,060,413

IDAHO TOTAL CROP & LIVESTOCK CASH RECEIPTS **2002: $3,933,671**

IDAHO'S RANK IN THE NATION

Product	*Rank (2002)*
Potatoes	1
Alfalfa Seed	1
Austrian Winter Peas	1
Bean Seed	1
Bluegrass Seed	1
Pink Beans	1
Small Red Beans	1
Small White Beans	1
Sweet Corn Seed	1
Trout (Foodsize)	1
Garbanzo Beans	2
Barley	2
Bean Seed (green/snap beans)	2
Lentils	2
Sugar Beets	2
Wrinkled Seed Peas	2
Dry Edible Peas	3
Great Northern Bean	3
Hops	3
Mint	3
Onions (Summer Storage)	3
Prunes & Plums (Fresh)	3
Alfalfa Hay	3
Cheese (American)	4
Pinto Beans	4
Navy Beans	4
Spring Wheat	4
Dry Edible Beans	5
Winter Wheat	5
Milk Production	6
Milk Cows	6
Sweet Cherries	6
All Wheat	6
Wool	8
Sheep and Lambs	8
All Hay	8
Apples	10
Honey	10
All Cattle & Calves	15

UNITED STATES TRADE AGREEMENTS

TRADE NEGOTIATIONS

Over the past decade, U.S. exports accounted for about a quarter of the country's growth. One in three acres of American farms is planted for sales overseas and 25% of gross farm income comes from exports. With 96% of the world's consumers living outside the U.S., foreign trade is becoming increasingly important to expand the U.S. economy.

Presidential negotiating authority, Trade Promotion Authority (TPA), lapsed in 1994 and was returned to the President under the Trade Act of 2002. The U.S. was party to only three free trade agreements (FTAs) at that time: Israel (1985), Mexico and Canada (1993 NAFTA) and Jordan (2001). Since the return of TPA, FTAs have been completed with Chile (2003), Singapore (2003), Australia (2004), and Central America (CAFTA-2004). Additional FTAs are in process for the Andean nations (Columbia, Peru, Ecuador and Bolivia), Bahrain, the Dominican Republic, Free Trade Area of the Americas (FTAA - http://www.ftaa-alca.org/), Morocco, Panama, the South African Customs Union (SACU- South Africa, Namibia, Lesotho, Swaziland and Botswana), and Thailand.

Trade Adjustment Assistance for Farmers is an important addition to the Trade Act of 2002. Implemented in August 2003, USDA will review petitions from producer groups (3 or more) which are negatively affected by trade based on decrease in prices and significant imports. Financial adjustment up to $10,000 will be available for farmers/groups who qualify (website: www.fas.usda.gov/itp/taa/taaindex.htm.) Under the U.S. Department of Labor, Trade Adjustment Assistance (TAA) exists for workers (www.doleta.gov/tradeact/). Administered by the U.S. Department of Commerce's Division of Economic Development Administration (EDA), the TAA program for firms and industries has 12 Trade Adjustment Assistance Centers (TAACs) to assist affected companies (www.taacenters.org/). All three programs are designed to help trade-impacted workers and companies. The programs provide eligible workers with career counseling, up to two years of training, income support during training, job search assistance, and relocation allowances.

THE WORLD TRADE ORGANIZATION

In 1985, the World Trade Organization (WTO) came into being as the successor to the General Agreement on Tariffs and Trade (GATT) that was established after World War II. They were developed through a series of trade negotiations or rounds. The 1986-94 Uruguay Round was the last GATT round, resulting in the creation of the WTO. GATT and the WTO have helped create a strong and prosperous trading system. Since 1950, merchandise exports have grown by 6% annually (average) and total trade in 2000 was 22-times the level of 1950. The WTO has 146 members, 30 observer countries and 7 observers to the General Council. (www.wto.org).

AGRICULTURAL ISSUES

WORLDWIDE

ALL PRODUCTS

Issue: Domestic Support and Export Subsidies

Country	*Actual AMS 99*	*AMS 99 Ceiling Commitment*
E.U.	$ 50 billion	69.5 Euros (1.17 xc ~ $ 81.3 B)
Japan	$ 6.7 billion	41.39 Yen (.0087 xc~ $60 M)
USA	$ 16.8 billion	$ 19.1 billion
All Others	$4.7 billion	NA
USDA-ERS and WTO reports		

Thirty WTO members committed to reduce their trade-distorting domestic supports (WTO category called the amber box) from 1995-1999. These price supports or subsidies are directly tied to production quantities. The reduction commitments are based on "Total Aggregate Measurement of Support" (AMS). The detailed report is at www.wto.org/english/tratop_e/agric_e/ngs1_e.doc. In addition, the USDA-ERS has prepared a WTO commitment database (www.ers.usda.gov/db/wto/). Additional negotiations on reductions began in 2000 at the WTO Doha Round.

The U.S. proposes reducing domestic support to 5% of total agricultural production, resulting in a $100 billion reduction in worldwide trade-distorting subsidies.

Country	*Current level in 2002 (billions)*	*E.U. proposal ceilings in 2008*	*U.S. proposal ceilings in 2008**
E.U.	$62	$33	$12.5
U.S.	$19	$10.45	$10
Japan	$31	NA	$4

In 2003, the E.U. announced reform on the Common Agricultural Policy (CAP) created in 1957 to safeguard food supplies and stabilize prices. The CAP links subsidy payments with production and has been blamed for encouraging massive surpluses that are then dumped on world markets. Farm payments are currently $51 billion and account for half the E.U. annual spending. The key reform elements are to cut the link between production and direct payments, to make payments conditional to environmental, food safety, animal welfare and occupational safety standards, to substantially increase E.U. support for rural development via a modulation of direct payments with the exemption of small farmers, to introduce a new audit system to ensure that farms meet the required standards for food safety, animal welfare and occupational safety, and to design new rural development measures to boost quality production, food safety, animal welfare and to cover the costs of the farm audit.

Canadian AMS ceiling commitment in 1999 was C$4.480 billion or US$2.9 billion. Canadian domestic support has directly impacted the Idaho potato industry in 2002/3 by the closure of the Heyburn potato processing plant. The most recent U.S. International Trade Commission investigation (1997) identified specific support programs, including low-or zero-interest loans to processing and packing operations, financial assistance for construction of wastewater recovery facilities, grants or zero-interest loans to build potato storage facilities, low-cost land leasing arrangements and development of irrigation facilities. Idaho farmers are left at a competitive disadvantage in both the U.S. and international markets, resulting in significant rural community impacts.

Export subsidies are special incentives provided by governments to encourage increased foreign sales. Under the Uruguay Round Agreement, developed countries agreed to reduce the volume (21%) and value (36%) of their export subsidies from 1995-2000. Further reductions will be addressed at WTO negotiations.

Export Subsidies ($US millions)						
Country	**1995**	**1996**	**1997**	**1998**	**1999***	**2000***
E.U.	6496	7470	4857	5989	5854	2517
Switzerland	455	355	295	293	269	188
Norway	84	78	100	77	116	44
U.S.	26	122	112	147	80	15
Rest of World	267	226	195	162	177	443
Total	7327	8253	5558	6668	6496	3206
* Not all countries have notified as yet for this year.						

Issue: Food Safety and Pesticide Harmonization

In 2004, the U.S. began requiring registration for food manufacturers and producers who produce or export to the U.S. Many countries have initiated or threatened similar requirements, specifically the E.U., Canada, and Mexico. In addition, food safety commissions or agencies have been emerging in countries such as Japan and India as they prepare for additional global trade. In 2003, fifty new food safety standards were adopted by the Codex Alimentarius Commission (Codex) which included biotechnology, irradiation and meat standards.

Pesticide harmonization efforts have been ongoing in Australia, New Zealand, Canada, the E.U. and Japan, establishing positive maximum residue level (MRL) systems. U.S. officials are working to keep the Codex or U.S. standards as the default measurements and the new tolerances based on risk assessments. The E.U. has announced the withdrawal of nearly 450 substances from use, although some 110 have delayed specific announcement until some time in 2004.

Issue: Labeling

Labeling changes have been and will continue to be an issue for U.S. exporters. The main areas of labeling changes are allergens, biotechnology, health claims, meat labeling, nutrition, recycling and origin. In 2003, there have been labeling issues for Brazil (biotechnology), Canada (nutrition, 5-a-day/health claims, state of origin on potatoes), China (enforcement of General Standard for the Labeling of Food and biotechnology), the E.U. (allergens, biotechnology, 5-a-day/health claims and meats), Hong Kong (nutrition), Japan (allergens, biotechnology and recycling), Korea (biotechnology), Saudi Arabia (biotechnology) and Thailand (biotechnology and registration number). The USDA Foreign Agriculture Service publishes updates that are viewed at www.fas.usda.gov/scriptsw/attacherep/.

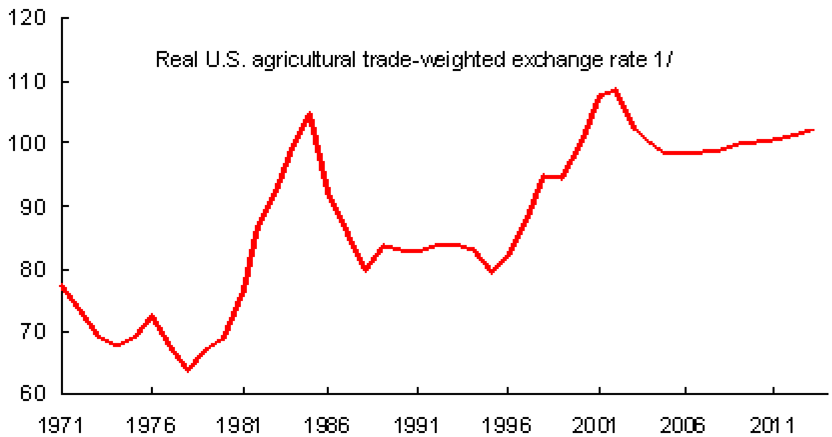
Two additional topics that could affect labeling are Geographical Indicators (GI) and the U.S. Country of Origin Labeling (COOL). GIs are the name of a region, specific place or country describing a product originating in that location and possessing a quality or reputation which may be attributed to the geographical environment with its inherent natural and/or human components. The E.U. uses GIs as exclusive labeling rights and they are considered intellectual property. The U.S. and the E.U. are in WTO consultations on GIs, as the U.S. does not believe the E.U has fulfilled its GATT obligations and the Trade-Related Aspect of Intellectual Property Rights (TRIPS) Agreement. Two informative FAS reports are www.fas.usda.gov/gainfiles/200308/145985850.pdf and www.fas.usda.gov/gainfiles/200308/145985728.pdf). Information on COOL can be found in the import section of this document.

Issue: Strong U.S. Dollar

The U.S. is one of the most open economies in the world as imports and exports of goods and services flow consistently. From 1993 - 1999, the U.S. dollar appreciated (got stronger) by close to 30% and has since depreciated (got weaker) by almost 20% against certain currencies. The overvaluation or undervaluation of currency relative to the U.S. dollar differs from currency to currency. The Euro has risen 50% against the dollar since its 2001 low. Since January 2002, appreciation against the dollar has been: Australian dollar-48%, Euro-40%, British Pound-25%, Japanese Yen-23%, Canadian dollar-20%. There has been no change with the Chinese Yuan since it is pegged to the US$ and the Mexican peso has devalued against the US$ by 17% (12 MP=1US$). The dollar is projected to stay high:

U.S. dollar stays high

Index values, 2000=100



1/ See www.ers.usda.gov/data/exchangerates/questions.htm for an explanation of real U.S. agricultural trade-weighted exchange rates.

Source: *USDA Agricultural Baseline Projections to 2013*, February 2004. Economic Research Service, USDA.

There are both advantages and disadvantages to having a strong currency:

Advantages	Disadvantages
* Imports cost less	* U.S. exports cost more for foreigners
* Competition from imports keeps domestic prices down	* Domestic suppliers have more price competition
* When traveling abroad, U.S. dollars exchange for more foreign currency	* Foreign travelers find the U.S. more expensive
* U.S. investors can buy more foreign assets	* Foreign investment in the U.S. is more costly

Agricultural trade depends on the economic prosperity of consumers throughout the world. Developing countries' economic growth will generate most of the increase in global food demand over the next decade. World economic growth is projected to be 3.3% in 2004, 3.4% in 2005, 3.0% in 2006, and increasing to 3.3% through 2011. Purchasing power increases are a result of economies becoming stronger and thereby making their currencies stronger. This shift directly results in income growth and increased income will lead to increased imports.

Consumption and imports of food and feed in developing countries are particularly responsive to income changes. As incomes rise in these countries, consumers generally diversify their diets, moving away from staple foods to include more meat, fruits and vegetables, and processed food. These consumption shifts result in higher import demand for high-value products. The U.S. remains a net importer of horticultural products (fruit and nuts, vegetables, and greenhouse and nursery products). Exports continue to be crucial to the success of the U.S. horticultural sector (22% of the sector is projected to depend on exports)

- Grapes, oranges, apples, fresh and processed potatoes, and processed tomatoes are among the leading horticultural export commodities.

- Major export markets for U.S. horticultural products include Canada, Japan, and Southeast Asian nations.
- Major U.S. horticultural imports include bananas, grapes, frozen concentrated orange juice, potatoes, and tomatoes from Mexico, Chile, Canada, and Brazil.

Issue: Sugar

The U.S. sugar industry asked President Bush, Congress and all other involved parties to negotiate all sugar agreements in the WTO. Domestic support levels are negotiated only in the WTO arena, and the negotiating away of tariff quota levels in bi-lateral free trade agreements (FTAs) makes the U.S. sugar support system unworkable.

113 countries produce sugar and every country has some form of government intervention that affects production. The U.S. sugar industry is the 4th largest producer worldwide and has production costs below the world average due to efficiencies. In current bi-lateral FTAs, the potential for 21 million tons of sugar imports into the U.S. exist (production-43 million tons, exports-21 million tons). U.S. sugar production is 8.5 million tons and U.S. consumption is 10 million tons. Current imports which include quotas already granted to other countries are 1.5 million tons.

The sugar industry is opposed to recently concluded Central America Free Trade Agreement (CAFTA), as imports of 99,000 metric tons were agreed to and this amount will grow to 140,000 metric tons per year over 15 years. The industry predicts that if additional access is granted to every country with which the U.S. is negotiating an FTA, the U.S. sugar industry will be displaced by foreign production.

Idaho supports the U.S. sugar industry in that all sugar negotiations should be done in the WTO arena.

Issue: Tariffs

Overall, Idaho food and agriculture product exports are significantly hindered by high tariffs in other countries. These are specifically noted in this document. The Organization for Economic Cooperation and Development (OECD) and the United State Department of Agriculture Economic Research Service conduct the most comprehensive efforts to measure average tariff rates on agricultural products. Over-quota tariffs are not included. The average bound agricultural tariffs for various countries are:

United States	12%
European Union	30%
Japan	58%
Canada	23%
Global average	62%

Profiles of Tariffs in Global Agriculture Markets, USDA-ERS, January 2001
www.ers.usda.gov/publications/aer796/

In addition, mega tariffs (100% or higher) play a major role in industry protection in Japan and the E.U. The E.U. has 141 mega tariffs, specifically in meat and dairy products and Japan has 142, specifically in grains and dairy products. The U.S. has 19, mainly in dairy and nuts.

Issue: Transportation

Transportation is essential to maintaining trade in Idaho. Idaho is fortunate to have three efficient modes of transportation – river, rail and truck transportation. All three are essential to moving Idaho products to foreign markets.

Idaho must do everything possible to protect and improve Idaho's transportation system such as (1) working to preserve the ability to maintain and support the river transportation system, (2) developing uniform truck regulations with neighboring states and countries, (3) striving for a competitive rail system that will include cooperation with Canadian rail and U.S. rail systems to move Idaho products.

CATTLE

Issue: Transshipment of Cattle into the U.S.

In 2000, cattle from New Zealand entered Canada and cattle from Australia entered Mexico, which later entered or attempted to enter the U.S. as Canadian or Mexican cattle. These cattle could not have entered the U.S. directly from New Zealand or Australia due to animal health restrictions. In December 2003, the U.S. discovered a case of BSE (Bovine Spongiform Encephalopathy). All protocols for live animal importation are being revised.

ARGENTINA

FRUIT

Issue: Inspection Procedure for Cherry Fruit Fly

Although Argentina does not specifically prohibit U.S. cherry imports, it has yet to identify pests of potential quarantine concern or mitigation measures to be required before commercial shipments can occur. It is suspected the concerns are over the Cherry Fruit Fly, which is known to occur in Idaho. In 2002, an intensive inspection protocol was proposed to verify that the fruit is free of known quarantine pests. It has yet to be reviewed by the Argentina government. Since the suspension of Argentine fresh lemon imports in 2001, fruit negotiations have been at a standstill.

Issue: Tariffs and Export Rebates

Argentina has a tariff, tax and rebate system that makes it difficult to import fruit. Tariffs, taxes and rebates for 2004 are as follows:

Countries outside of Mercosur	*Countries within Mercosur (Argentina, Brazil, Paraguay, Uruguay)*
Import tariff: 11.5%	Import tariff: 0%
Statistical tax: 0.5%	Statistical tax: 0%
Rebate: 5%	Rebate: 5%
Specific rebate for Patagonia ports: 2% (for 2004) and 0% (for 2006)	Specific rebate for Patagonia ports: 2% (for 2004) and 0% (for 2006)
Export tax: 10%	Export tax: 10%

AUSTRALIA

FRUIT

Issue: Apples & Pears -- Phytosanitary Requirements

All apple and pear imports into Australia are prohibited from all origins, primarily due to the possibility of introducing fire blight. Australia allows for import exceptions from China and Japan that are subject to a yearly review and disease survey, as fire blight is not officially reported in these countries.

The recently negotiated U.S.-Australia Free Trade Agreement established a technical working group to cooperate in the development of science-based measures. The first meetings will be held in 2004.

SEED

Issue: Alfalfa Seed -- Verticillium Wilt

Australia currently prohibits all U.S. alfalfa seed due to Verticillium Wilt (VW) except from seven counties in California. A lab test can be done although neither the test nor a field inspection currently is being accepted. The requirements for the export program for the seven counties are generally three-fold: 1) area of freedom, 2) phytosanitary seed inspection program, and 3) Sheppard and Needham's wash test. These requirements were last updated in July 1999. Idaho cannot meet the area of freedom requirements. U.S. exports have declined since the regulations were enacted in 1999, specifically 394 MT (1999), 52 MT (2000), 37 MT (2001), 20 MT (2002). In 2003, a significant increase in non-certified seed occurred (9 MT to 83 MT) to provide a total of 96 MT.

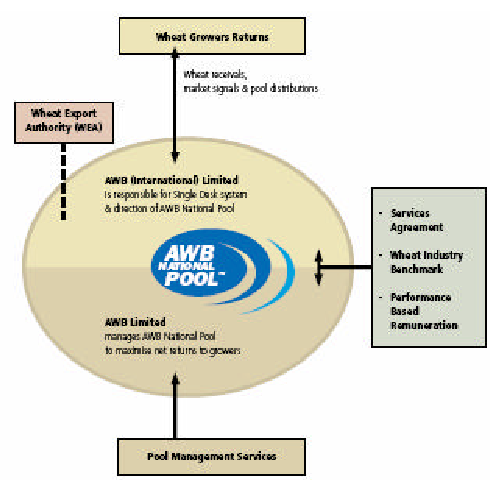
Issue: Sweet Corn -- Various diseases

Idaho is the only U.S. state allowed to ship sweet corn seed to Australia according to work plan protocols established in 2002. The requirements include export field registration, field sanitation and pest control measures, export crop inspection and testing, packing house registration and procedures, pre-export seed inspection, packing and labeling requirements, and on-arrival inspections. Issues developed in 2003 regarding biotech seed which delayed shipment. Clarification was made that biotech seed is prohibited, unless it has an import permit. Limited shipments were made in 2003. It is expected that the 2004 season will result in more frequent shipments.

WHEAT

Issue: Australian Wheat Board

AWB (International) is the exclusive manager and marketer of all Australian bulk wheat exports through what is known as the Single Desk system. AWB also markets and trades a range of other grains including barley, sorghum and oilseeds. Although AWBI is a publicly traded organization, it is a sole marketer which restricts the right of other entities to export. In the US-Australia Free Trade Agreement, Australia committed to work with the U.S. in WTO negotiations to develop export competition disciplines that eliminate restriction on the right of entities to export.



In place for over 60 years, the statutory Australian Wheat Board (AWB) ceased to exist and AWB Limited (Ltd.) was created by the Commonwealth Government's Wheat Marketing Act 1999. As a grower-controlled grain marketing organization owned by 38,000grain growers and 67,000 investors, AWB Ltd. is one of the largest wheat marketing companies and one of the top five wheat exporters worldwide. AWB International (AWBI) is a separate wholly owned subsidiary of AWB Ltd. and is responsible for the operation of the National Pool (consolidated export product) on behalf of growers who deliver to it through the Single Desk. The Wheat Export Authority (WEA) is a statutory body responsible for monitoring the AWBI performance and considering applications from organizations other than AWBI that wish to export Australian wheat in *bags or containers*.

BRAZIL

DAIRY PRODUCTS

Issue: Tariffs

Brazil has high tariffs on dairy products. Tariff increases are a concession to local dairy producers, who contend domestic processors are importing whey to blend with UHT (Ultra High Temperature) milk. The weakening of the Brazilian Real and higher tariffs make U.S. whey less competitive.

FRUIT

Issue: Tariffs and Miscellaneous Charges

Brazil charges an 11.5% import duty on fresh apples and pears. This tariff serves as a significant barrier to Idaho fruit exports to Brazil as fruit imports from Mercosur and ALADI (Argentina, Bolivia, Chile, Columbia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela) countries enter duty free or with preferential treatment. Brazil also levies a significant number of miscellaneous charges, port charges, internal taxes and assessments that amount to a significant cost increase to consumers above the landed value of the product.

POTATOES - SEED

Issue: Potato Seed Certification Protocols

In 2001, Brazil announced new seed potato import entrance requirements. The U.S. industry asked Brazil to use the international standards for powdery scab instead of zero tolerance. Brazil stated that the domestic market can meet the zero tolerance requirement and so should the international market.

In March 2002, the Brazilian government announced the requirement for Pest Risk Assessments (PRAs) for each species from every country of origin within 180 days (ending November 27, 2002). The potato industry submitted information and the appropriate data for the pest list. As of summer 2003, the PRA had not been competed. With Brazilian official agreement, the U.S. industry hired an outside contractor to complete the task and it was completed in February 2004. The PRA will be submitted to the Brazil quarantine service and the U.S. will ask to begin negotiating a market access agreement based on the PRA. Bi-lateral meetings are expected in April.

SEED

Issue: Seed Certifications Protocols

Brazil has prohibited all seed imports until a pest risk analysis (PRA) can be done. U.S. exporters must request the PRA and fund the project, costing close to US$10,000. PRA exceptions were alfalfa, dry bean, tomato, sorghum, triforlium, lotus corniculatus, brassica napus, garlic, onion, red pepper, pea, tobacco, and corn seeds as the PRAs were done in 2001. PRAs need to be done on third-country origin seeds that are re-exported from the U.S. to Brazil, with information provided by the country-of-origin. Shipments are occurring and import permits are being issued, regardless of the regulations.

In addition, Brazil requires freedom of the nematode *Ditylenchus dipsaci* for many seeds. Brazil only has one type of the nematode and wants to prevent the entry of new ones. Brazil has not yet officially recognized any U.S. areas as "free" of specific pests. This puts on hold shipments of any corn seed.

CANADA

ANIMAL HEALTH

Issue: Disease Management in Feeder Cattle

The U.S. is prohibited from shipping live cattle to Canada without testing due to diseases found in the U.S. In 1998, the Canadian Food Inspection Agency (CFIA) implemented the Canadian Restricted Feeder Cattle Import Program (CRFCIP), originally called the Northwest Cattle Project, to allow for importation of U.S. feeder cattle without testing for Anaplasmosis (AN) and Bluetongue (BT). Restricted feeder cattle can only be imported from October 1 – March 31, which is the non-vector season (BT and AN are spread by insect vectors). The U.S. states must be:

- Designated by USDA as Brucellosis Free
- Recognized by USDA as Tuberculosis Accredited-Free or Modified Accredited Advanced
- Designated by CFIA as a Low-Risk for Bluetongue
- Assessed by CFIA as a having a Low Incidence of Anaplasmosis

The CRFCIP allows feeder cattle to be shipped to *licensed* Canadian feedlots. Cattle have to be treated for Anaplasmosis, but do not have to be tested. Program specifics can be found at www.inspection.gc.ca/english/anima/heasan/policy/ie-2001-14-2e.shtml. Idaho was accepted into the program in September 2001. There are currently 8 eligible states.

Between 2000 and 2003, proposals to expand exports to the vector season (April 1 – September 30) were submitted and discussed (the U.S. supports the Terminal Feeder Program), resulting in risk assessments. In 2003, a Restricted Feeder Pilot Project was initiated for exports from Montana and North Dakota. The Canadian Animal Health Coalition Committee (CAHCC), the Canadian Cattlemen's Association (CCA), U.S. industry, and CFIA support this project. Enough evidence has been presented to CFIA to show that Montana and North Dakota are low risk for AN and BT. The project must be approved by Health Canada as a step in the food safety process.

Issue: Regionalization/Canadian Import Regulations

In 2001, Canada announced new rules for imports of livestock into Canada based on zoning. U.S. states may apply. Idaho, however, does not currently meet the requirements to export cattle under these rules. The three zone classifications are:

- Equivalent (risk of disease from imports is at the same level as the risk of disease from the domestic herd)
- Low-risk (the region poses a low risk to the Canadian industry)
- High-risk (the region poses a high risk to the Canadian industry)

"Equivalent" classification can result in the shipping of classified classes of livestock to Canada without any testing requirements on a 12-month basis. "Low-risk" classification can result in a regional animal health inspection system and import regulations equivalent to Canada's (as Idaho is for Bluetongue and Anaplasmosis). The region must be:

1. Surveyable for disease
2. Reportable to the state animal health official
3. Quarantineable
4. Actionable (elimination of the disease from the herd)
5. Applicable to all susceptible livestock imported into the region

Idaho cannot qualify for regionalization without imposing a significant financial and regulatory burden on cattle imported into Idaho from other U.S. states. Under the regionalization rules, all cattle coming into Idaho would have to be tested for Bluetongue and Anaplasmosis in order for Idaho to qualify as having an equivalent system. Since Idaho exports approximately 1/10th as many feeder cattle to Alberta as it imports from other U.S. states, there is little incentive for qualifying for regionalization.

CATTLE

Issue: Animal Identification

The two cases of BSE (Bovine Spongiform Encephalopathy), one in Canada and one in the U.S., have initiated an immediate change in animal identification. The ability to quickly find animals and know their history is now a top concern. A National Identification Task Force and work plan has been developed with participation from 30 plus organizations including USDA/APHIS/VA by the National Institute for Animal Agriculture. Idaho has applied to become part of the pilot project utilizing an electronic identification system. More on the program can be found at www.animalagriculture.org.

The current system is that the U.S. and Canada require individual identification of cattle imported for purposes other than immediate slaughter. Feeder cattle to Canada must be uniquely identified by a USDA ear tag or a CFIA approved means and this identification must be indicated on the export health certificate. U.S. cattle already have identification and the additional tagging cost for each animal can be a financial deterrent (as high as $8/head). Two options are available for the Canadian Restricted Feeder Cattle Import Program (CRFCIP). First, USDA Veterinary Services allows cattle to be export certified by using Canadian Cattle Identification Agency (CCIA) approved tags which can be applied at any time prior to export. Second, USDA supports the developing electronically readable tags be compatible with the CFIA CCIA system.

Issue: Federal Endorsement of Animal Health Certificates

Canada requires a Federal endorsement on many Animal Health Certificates. A licensed veterinarian should be allowed to collect the tests and issue the health certificates directly as USDA accredits all veterinarians and the State has an USDA-approved lab. Currently, the local veterinarian conducts the testing, completes the certificate, and submits it to the Boise USDA office for “endorsement”. Since the lab tests expire after a limited amount of time, Idaho veterinarians are forced to drive to Boise and wait for the endorsement or pay express shipping charges. In addition, USDA charges a fee to endorse the certificate (determined by the class of cattle or other livestock). In comparison, the Canadian Restricted Feeder Cattle Import Program (CRFCIP) provides an excellent working example in that cattle move on a certificate signed by an accredited veterinarian without federal endorsement.

DAIRY

Issue: Tariff Rate Quotas

Canada protects its domestic cheese industry through a tariff rate quota system. The 1998 U.S.-Canadian Free Trade Agreement (CFTA) eliminated many tariffs, but the preferential duty rate only applies to imports within the quota. The quotas are small, resulting in the higher duty rate utilization.

H.S. Code	*Product Description*	*Quota*	*Below quota tariff*	*Above quota tariff*
0406	All cheese (cheddar, powdered, mozzarella, soft)	20,412 MT	0	245.5%

Issue: Change in Classification for Breaded Mozzarella Sticks

Breaded cheese products exports between Canada and the U.S. are not currently traded. U.S. breaded cheese stick exports to Canada were valued at $6.4 million in 2000. In 1999, a U.S. classification change due to a previous error in classification stopped imports of breaded mozzarella sticks from Canada. In 2000, the Canadians raised the issue of reciprocal access and asked the U.S. to reestablish access for Canadian breaded mozzarella sticks. It was discovered, once documentation was reviewed, that Canada had been giving U.S. exporters special permits to export to Canada. In September 2001, Canada ceased issuing special import permits. In December 2001, the necessary documentation and approval process to provide Canada with access was completed by the U.S. Once Canada agrees to reciprocal access, the U.S. will open the market for breaded cheese products.

POTATOES

Issue: Anti-dumping penalties

In 1984, Canada implemented antidumping duties on U.S. fresh potatoes being exported to British Columbia for allegedly selling potatoes below cost of production. Floor prices for all fresh potatoes are determined by the Canadian government and vary by state of origin. Any imports below those prices are impacted. Importers must pay the difference between the government established price and the actual sale price to Revenue Canada. For example, the importer must pay $1.725 for an Idaho 50# sack (May 2003 - $3.45/100#). In 2000, the case was reviewed by the Canadian International Trade Tribunal (CITT), ruling in favor of B.C. and extending the duties until 2005.

The Pacific Northwest potato industries have commissioned an economic impact study to evaluate the duty impact. The information could be useful in the CITT's 2005 review as the industry will again request that the applied duty rate be reduced.

Issue: Prohibition on Bulk Shipments

Canada's Standard Container Law prohibits U.S. fresh potato exports for processing in bulk quantities (over 50 kilograms or 110 pounds) unless a special Ministerial Exemption (ME) is granted. Exemptions are to be reviewed and granted in a timely fashion and not to be used as a barrier to trade. Some processors and growers in Canada are also pushing for changes in the ME requirement as their requests have been denied. Various solutions have been considered such as harmonization of grading standards, establishing MEs for exports to the U.S., and eliminating the U.S. State and Federal Marketing Orders, but a workable agreement did not occur.

Although the Canadian Food Inspection Agency (CFIA) opened a "window of opportunity" in 2003 for U.S. potato growers to work with Canadian officials in potentially making administrative changes to the ME process, significant progress was not made. The U.S. industry has considered various options such as establishment of a like system in the U.S. or elimination of the U.S. marketing order in conjunction with the elimination of Ministerial Exemptions. As of 2004, U.S. industry is considering filing the issue with the WTO as a satisfactory solution has not been obtained.

SEED

Issue: Non-recognition of U.S. Seed Certification Procedures and Labs

Prior to 1997, Idaho seed exporters tested their seed by a U.S. laboratory affiliated with the Association of Official Seed Analysts or by a Registered Seed Technologist associated with the Society of Commercial Seed Technologists, and then shipped the seed and certificate to Canada which received a Canadian Grade Certificate. In 1996, the Canadian Seed Act was modified so U.S. exporters of seed must retest their seed by a Canadian accredited lab in order to receive a Canadian grade tag. If the seed does not have a Canadian Grade Certificate, it must be sold as common seed, receiving a much lower price.

The U.S. and Canadian accreditation systems differ. The Canadian system accredits laboratories and analysts whereas the U.S. system accredits individual seed analysts. The U.S. system has analysts take national examinations and U.S. seed labs routinely exchange seed to compare and verify results. From 1999-2002, USDA AMS and the Canadian Food Inspection Agency (CFIA) held technical discussions with limited results. Canada provided a proposal for Official Recognition of Foreign Seed Testing Laboratories. (www.inspection.gc.ca/english/plaveg/seesem/consult/polteste.shtml)

In response to the international market requesting accreditation standards from the U.S. seed industry, U.S. seed experts joined to design the U.S. Seed Lab Accreditation which will provide international recognition for a U.S. quality testing system. The ISDA's Bureau Chief of the Idaho State Seed Lab and the President of SCST head the workgroup that includes representatives from the Association of Official Seed Certifying Agencies, the Association of American Seed Control Officials, the American Seed Trade Association, the USDA AMS and the Association of Official Seed Analysts. The program draft was completed in February 2004, and can now be submitted to CFIA, Organization for Economic Cooperation and Development (OECD) and other international bodies as appropriate.

WHEAT and BARLEY

Issue: Dwarf Bunt and Flag Smut

Wheat and barley exports to Canada are required to be free of Dwarf Bunt (DB) and Flag Smut (FS). Both DB and FS are known to occur in Idaho. Since 2001, grain is allowed to ship if a lab test certifies the shipment to be free of DB and FS. The test adds additional cost and delays of 2-5 days.

Prior to January 2001, Canada required that wheat and barley originate from a state free DB and FS. Between August 1996 and November 1997, Idaho was allowed to ship 982 railcars (193.9 million pounds) of wheat to Canada under import permits waiving the requirement. U.S. industry requests that Canada continue to waive the requirements. USDA's requests to CFIA have not resulted in change.

Issue: Canadian Wheat Board

The Canadian Wheat Board (CWB) is a monopoly exporter of wheat and barley for producers in Alberta, Saskatchewan, Manitoba and a small area in British Columbia. The result is undercut pricing to win markets, depressed wheat prices, and insufficient market transparency.

	Wheat	Barley
CWB % Control of Canadian Exports	96%	100%
Exports Account for % of total Canadian Production	75%	22%
Canada's share of world trade	19%	18%
Imports share of domestic production	1.5%	0.1%

The WTO rates the CWB as the only "Type IV" (highest and most trade distorting) state trading enterprise (STE) in the world. The CWB exclusively procures all Canadian Western wheat and barley, and controls exports and domestic sales (human consumption only). CBW does not control imports, but imports are limited.

In 2000, the North Dakota Wheat Commission (NDWC) petitioned the U.S. government to investigate imports of Canadian wheat, resulted in a 16 month Section 301 investigation. A 2002 "affirmative finding" showed that dumping, injury, a causal link, and the threat of further injury is evident. The U.S. is pursuing a four prong approach to seek relief for U.S. wheat farmers:
(1) WTO Case

- In 2003, USTR initiated the case, stating CWB export regime is inconsistent with Canadian GATT 1994 obligations (Article XVII:1), Canadian grain segregation requirements are inconsistent with Canadian GATT 1994 obligations (Article III:4) and Article 2 of the TRIMs Agreement, and Rail revenue cap and producer car program are inconsistent with the obligations of Canada under GATT 1994, Article III:4 and TRIMs Agreement, Article 2 (www.ustr.gov/enforcement/2003-08-11-canwheat-exec1stwritten.pdf)
- In February 2004, the WTO panel ruled:
  i. In favor of U.S.: that Canada segregates and discriminates against imported grain in its grain handling and rail transportation systems. Under the Canada Grain Act and Canadian grain regulations, imported grain must be kept separate from Canadian grain, allowing imported and domestic grain to be handled in different ways. And, Canadian law allows rail shippers to charge more for shipping imported grain than domestic grain.
  ii. In favor of CWB: Upheld the legality of the CWB, a grain-buying group created by the Canadian government and afforded exclusive rights to purchase Canadian wheat at a government-set price.
  iii. The U.S. has 60 days to appeal the ruling

(2) Antidumping and countervailing duty petition filed by the NDWC in 2002
- In March 2003, the U.S. Department of Commerce (USDOC) issued a preliminary determination, announcing a 3.94% countervailing duty to be applied provisionally while the dumping and countervailing duty investigations continue.
- In May 2003, the USDOC confirmed that the CWB dumps wheat into the U.S. market, adding additional duties of 8.15% on Durum wheat and 6.12% on Hard Red Spring Wheat.
- Appeals are in process

(3) Identify impediments to U.S. wheat entering Canada.
- The elements of the WTO case regarding Canada's grain segregation requirements and rail transportation rules is a direct result of those efforts.

(4) Seek STE reforms through the adoption of new WTO rules in the current negotiations.
- The U.S. is aggressively pursuing this negotiating objective and has proposed eliminating export monopolies so that any producer, distributor, or processor can export agriculture products. The U.S. has also proposed ending special financial privileges which are granted to state traders and expanding their WTO transparency obligations.
- The WTO negotiating framework includes the U.S. proposal to reform export STEs such as the Canadian Wheat Board. This reflects multilateral trading system concerns regarding STEs, including the need to eliminate monopoly powers, eliminate special government financing, and make operations of such entities transparent.

CWB’s authority is in the hands of 15 Directors, two-thirds of whom are directly elected by producers. Four of the five elected directors expressed strong support for the CWB’s single desk system. The Board is the only legal marketing agent for Western Canada's wheat, and farmers risk criminal charges if they sell their product independently. In 2002, thirteen Albertan farmers went to jail, refusing to pay fines for taking grain across the U.S. border in 1996. The specific charges were failure to report in writing, exporting without a license, and not placing vehicles into the custody of Customs Officers. Others were charged with the same offences: 123 in Saskatchewan, 32 in Alberta, and 63 in Manitoba. Canadian producers want the right to sell their products on the open market.

CHILE

FRUIT

Issue: Phytosanitary Prohibition on Cherry Imports

Chile prohibits northwest cherry imports due to alleged phytosanitary issues. In the spring of 2002, an inspection team visited Washington and Idaho to view production and testing facilities. Chile phytosanitary requirements have proven overly restrictive and costly, resulting in no commercial trade.

PEAS, LENTILS, and CHICKPEAS

Issue: Fumigation

Chile requires fumigation for any U.S. peas, lentils, and chickpeas imports. Domestic researchers have found that the U.S. does not have significant insect numbers that prompt the fumigation requirement. Additionally, Chile does not require fumigation from the U.S.'s largest competitor, Canada. The Bruchidae family, commonly called storage seed weevils, is the prominent group of pests that are of concern in Chile. The U.S. continues to press Chile to implement and enforce WTO-consistent sanitary and phytosanitary requirements. U.S. exports are at a virtual stop.

CHINA (People's Republic of China)

CHINA'S ACCESSION TO THE WORLD TRADE ORGANIZATION

China's WTO admission in 2001 strengthens the global economy and the international rule of trade law. In 2002, China for the first time became a net exporter of agricultural products to the U.S. and projections show increasing amount of U.S.-Chinese trade. Since its accession, China has initiated 15 anti-dumping investigations against 22 countries/regions (27 since 1997) in chemicals, steel, textiles and telecommunications industries. 18 investigations found dumping had occurred and caused substantial damage to mainland industries. China has levied anti-dumping taxes on those imports.

U.S. – CHINA AGREEMENT ON AGRICULTURE

In 1999, the U.S. and China signed a bilateral agreement as part of China's WTO accession package that contained China's commitments to provide greater market access for U.S. goods and services. Specific tariffs of interest to Idaho include:

Product	*Original duty*	*Duties 2004*
Apples	30%	10%
Beef	45%	12%
Cherries	30%	10%
Malt barley	35%	10%
Milk product: Cheese	50%	12%
Milk product: Ice cream	45%	19%
Milk product: Lactose	35%	10%
Milk product: Skim milk powder (SMP)	25%	10% (final in 2005)

Product	Original duty	Duties 2004
Milk product: Yogurt	50%	10%
Potatoes: Dehydrated flakes and granules	30%	15%
Potatoes: Flour, meal and powder	27%	15%
Potatoes: Fresh or chilled	13%	13%
Potatoes: Frozen potatoes	13%	13%
Potatoes: Prepared/preserved, frozen	25%	13%
Potatoes: Prepared/preserved, not frozen	25%	15%
Wheat: The TRQ is divided among State Trading Enterprises and the private sector	Quota: 7.3 mil metric tons Duty within quota: 1% Duty over quota: 80%	Quota: 9.6 mil metric tons Duty within quota: 1% Duty over quota: 65%

The Value Added Tax (VAT) is charged on imported products and U.S. industry asks for equal trading standards, specifically that the VAT be applied to both imports and domestic products or not at all.

FRUIT

Issue: Apples -- Most Varieties Prohibited

Only three states are approved to export apples to China: Idaho, Washington and Oregon. The protocol went into effect in 1995. The protocol is limited, however, to Red and Golden Delicious varieties even though the preferred varieties are Fuji and Gala. The Chinese position is these additional varieties are more susceptible to fire blight and therefore pose a higher risk of fire blight introduction into China. The U.S. industry position is that mature, symptomless fruit produced under commercial conditions have not been shown to transmit the disease.

Limited variety importation has been discussed during bi-lateral trade negotiations and additional variety access has been requested by the U.S. The Chinese expressed their phytosanitary concerns about fire blight. The U.S. has recently won the WTO challenge against Japan's restrictions on U.S. apples with the Appellate Body agreeing that Japan has acted without sufficient scientific evidence or without basing rules on risk assessment. This case could help the Chinese to reconsider its position on fire blight.

Issue: Pears -- Phytosanitary Barrier

China currently prohibits pear imports from the U.S. due to quarantine concern for the bacterial disease fire blight. Research shows that commercially produced and packed fruit is extremely unlikely to transmit fire blight.

The U.S. industry and government have actively been seeking access for pears to the PRC since 1991. In 1995 a pest list was submitted and a pest risk assessment (PRA) was requested. China noted it started work on the PRA in 1997 and requested additional area and production data. In 2000, China stated "no formal request for the PRA has ever been received." APHIS resubmitted the request. No progress has occurred due to conflicting negotiations on other issues.

POTATOES - FRESH

Issue: Phytosanitary Restrictions for Fresh Potatoes

Idaho table stock potatoes are prohibited entry into China because of claimed phytosanitary concerns. In 2000, China committed to conduct a Pest Risk Assessment (PRA) to develop protocols for imports of U.S. potatoes from Alaska, Idaho, Oregon and Washington. In 2001, a Chinese delegation visited the Northwest, gathering information on potato production, pest inspection, and plant quarantine measures (specifically on viruses, diseases, nematodes and insects). As action was slow, letters were sent from the Senate, the House and the three Northwest Governors to Chinese officials, encouraging the Northwest PRA completion and market access for fresh potatoes. The Alaskan PRA for seed potatoes commenced in 2002, was completed in 2003, and resulted in market access for seed potatoes in October 2003. China has agreed to make the PRA for Alaskan fresh potatoes a priority.

The Chinese quarantine division (AQSIQ) informed USDA that it had commenced the Northwest fresh potatoes PRA in July 2003 and it required additional information on Potato Mop Top Virus, Potato Rot Nematode, Columbia Root Knot Nematode, Skin Spot and bio-engineered potatoes. The industry, researchers and USDA/APHIS prepared a response that was delivered to Beijing officials in August 2003. At the September 2003 bi-lateral meetings, AQSIQ stated the completion of this PRA is a high priority and will be completed as soon as possible. As of March 2003, the PRA is not completed. U.S. industry is asking USDA and USTR for additional action so that the PRA can be completed by fall 2004.

SEED

Issue: Corn -- Phytosanitary Requirements

Corn seed to China is prohibited because of Erwinia stewartii or Stewarts Wilt. In 2000, the American Seed Trade Association (ASTA) and the National Agro-Technical Extension and Service Center Ministry of Agriculture-China (NATESC) signed an interim agreement to collaborate on a framework for a US-China Pest Risk Analysis (PRA). Agreement on the framework was stalled as it appears that NATECS is authorized to conduct PRAs on "domestic" quarantine issues and is only authorized to conduct "field surveys" (not PRAs) on issues of quarantine importance. In 2002, ASTA met with the Chinese Quality Supervision, Inspection and Quarantine (AQSIQ) and confirmed the industry has the ability to conduct Step 1 and 2 of a PRA, but Step 3 involving final decision making is the exclusive responsibility of APHIS and AQSIQ. At ASTA's request, APHIS broached the corn seed PRA during the 2002 bi-lateral meetings. As progress was not made, ASTA urged APHIS to readdress the issue with AQSIQ in the 2003 discussions. Corn seed was not addressed at the 2003 bi-laterals, and industry has asked that APHIS address the issue in the fall 2004 bi-laterals.

Issue: Protection of Proprietary Varieties

The International Union for the Protection of New Varieties of Plants (UPOV) is designed to protect new varieties of plants by an intellectual property right. UPOV sets guidelines and uniform principles for protecting plant material. Without plant breeders' rights, there is nothing to prevent others from propagating and selling proprietary plant material. Although China joined UPOV in April of 1999, there continues to be difficulty in protecting seed. China has not yet implemented a complete set of rules governing seed protection and is only a party to the first two UPOV Acts (1961 and 1978). China is not a party to the latest Act (1991) and China should join this agreement.

In 2003, China released its new plant variety protection list that provides the most current available seeds and seedlings afforded Plant Breeders' Rights by the State Forestry Administration (trees) and the Ministry of Agriculture (crops and plants). The 2000 China's Seed Law and the 2001 Seed Law Implementation Regulations have encouraged new plant variety protection applications.

CUBA

FRUIT

Issue: Apples and Pears - Phytosanitary Requirements

In 2002, at the request of Cuban officials, the Northwest Horticultural Council (NHC) hosted a site visit for Cuban officials in Washington State. Originally apples were discussed, and NHC representatives worked to include pears. The U.S. and Cuban officials have subsequently signed an agreement allowing for the export of Washington apples and pears. The NHC is seeking access for Idaho and Oregon fruit as well.

Until 2001, Cuba's market was closed to U.S. exporters for political reasons. The market was opening gradually as industries met documentation and scientific requirements. In 2004, Idaho officials traveled to Cuba to establish working relationships for product entry negotiations. The potential for large shipments of food products appears to be improving.

COLUMBIA

BEEF

Issue: Tariff Rate Quotas

Currently, all U.S. beef imports to Columbia are prohibited as a result of the 2003 U.S. Bovine Spongiform Encephalopathy (BSE) finding. In 2003, Columbia increased the tariff for beef and beef offals from 20% to 80% in coordination with a tariff-rate quota (TRQ) of 3,000 metric tons for high quality beef (the in-quota tariff is 20%). Beef and beef offal imports also require prior authorization by the Columbian Ministry of Agriculture. The measures brought a halt to trade in tripes, stomachs and livers valued at $1.7 million (www.fas.usda.gov/gainfiles/200306/145885872.pdf).

DOMINICAN REPUBLIC

POTATOES – PROCESSED

Issue: Tariffs

The U.S. is negotiating a Free Trade Agreement with the Dominican Republic (DR) with expectations to "dock" the agreement with the Central America Free Trade Agreement. The potato industry is seeking immediate tariff reductions on frozen fries. The DR is seeking extended (10-15 year) phase out of their 20% frozen fry tariff. Negotiations are continuing in 2004.

EUROPEAN UNION

ALL PRODUCTS

Issue: Byrd Amendment & WTO Authorized Sanctions

In February 2004, the WTO authorized the E.U. to impose retaliatory sanctions on U.S. imports for U.S. failure to repeal the "Byrd Amendment"/1916 Anti-Dumping Act. The U.S. has increased customs duties on imports that are deemed to have been sold at "dumping" prices (below fair market value) which harms U.S. domestic industries. The U.S. has been redistributing these monies to the industries affected which the WTO declared as illegal as this double penalizes the import companies. The 1916 Anti- Dumping Act was declared illegal by the WTO more than three years ago and the E.U. has been waiting for the U.S. to comply. The trade sanctions begin on March 1, 2004 and can annually totally US$4 billion. The duty percentage will initially be small and will grow mont hly.

Issue: Bioengineered Foods

For five years, the E.U. has had a ban on biotech approvals that is unsupported by scientific studies, virtually establishing a complete moratorium. In 2003, the U.S., Argentina, and Canada (supported by Australia, Chile, Columbia, El Salvador, Honduras, Mexico, New Zealand, Peru and Uruguay as third parties) began formal WTO action against the E.U. for their failure to approve new biotech crops. The proof burden has been on the E.U. to demonstrate that their moratorium is necessary to protect human, animal or plant life or health and the proof must be based on scientific principles and contain sufficient scientific evidence. The formal investigation is ongoing.

In 2003, the E.U. adopted two new regulations on biotech products. The Traceability and Labeling Regulation will require that biotech products be traced throughout the commercial chain, and that food containing biotech products comply with certain labeling requirements for products with more than 0.9% biotech material. The Genetically Modified Food and Feed Regulations provide approval procedures for biotech food and feed products. Neither of these regulations lifts the illegal moratorium on biotech products, so it does not affect the U.S. WTO challenge.

CATTLE

Issue: Hormones

The E.U. bans all U.S. beef that is produced with growth hormones (imposed in 1989), maintaining it is a health issue and hormones pose a risk to human health. Numerous medical studies, including several European-based studies, have shown that there is no health risk. In 1998, the WTO found in favor of the U.S. and Canada by ruling that the E.U. had not provided enough scientific evidence to justify the ban. The E.U. chose not to conform to the WTO ruling and the U.S. imposed sanctions worth $116 million annually on mostly agriculture products from the E.U.

FRUIT

Issue: Tariffs and Entry Pricing System

The European Union imposes an excessively complicated tariff and quota system used to protect domestic production at different times of the year. The entry pricing system negatively impacts U.S. exports as it exposes importers to financial uncertainty and creates major disincentives to import U.S. fresh fruit. More information can be found at the web site of www.nwhort.org/eu.html.

OATS

Issue: Export Subsidies and Domestic Support

Despite commitments under the Uruguay Round Agreement, the E.U. continues to heavily subsidize oat production. USDA estimates indicate E.U. subsidies total $67.00/ton. E.U. exports to the U.S. continue to increase and U.S. oat planting has significantly diminished. Over the last 50 years, the U.S. has gone from 45,000 acres of oats to 4,500 acres.

SEED

Issue: Alfalfa - Unreasonable Record Keeping Requirements

The E.U. requires a ten-year field history. Further, exports are limited to alfalfa seed from fields in their second and third years of production. A letter was sent to USDA in 1992. Follow-up has occurred but there has been no movement on this issue.

WHEAT and BARLEY

Issue: Tariff Rate Quotas

In 2002, the E.U. placed tariff rate quotas (TRQs) on all imported cereals, but agreed through negotiations to maintain the current margin of preference system for durum wheat, high-quality common wheat, corn, rye, and sorghum, while setting up TRQs for medium and low quality wheat and barley. The 2003 global import allowance was up to 2,981,600 metric tons (MT) of medium and low quality wheat per year at a duty of 12 Euros per MT. The country allocations were 572,000 MT for the U.S. and 38,000 MT for Canada. The U.S. negotiated a specific quota of 50,000 MT for high quality malting barley exports (www.useu.be/agri/mop.html; www.fas.usda.gov/gainfiles/200301/145785032.pdf).

INDIA

FRUIT

Issue: Tariffs

India currently imposes import duties of 56% on apples, 40.4% on pears and 40.4% on cherries, seriously limiting the imports of Idaho fruit. Currently, there are no sanitary or phytosanitary restrictions on the importation of apples, cherries or pears to India.

POTATOES – PROCESSED

Issue: Tariffs

India has a tariff of 30% on frozen fries and dehydrated potatoes from previous tariffs of 56.5% to 45% to 35% to 30%. There are additional charges which increase the landed cost, specifically surcharges (10%), countervailing duties (16%), and special auxiliary duties (SAD-4%). In January 2004, India removed the 4% SAD as a result of negotiations. The industry is asking that a maximum bound tariff of 10% be negotiated.

ISRAEL

FRUIT

Issue: Tariff Rate Quotas

In 1985, the U.S. and Israel signed the U.S.'s first Free Trade Agreement (FTA), providing phytosanitary safeguards and import restrictions for agriculture products. In 1996, the U.S. and Israel signed an Agreement on Trade in Agricultural Products (ATAP) which provides a schedule of tariff rates, quotas and reference prices. The ATAP expired in 2001 and Israel abolished the reference price system previously in effect on fresh fruit imports, including apples and pears. The 2002 specific duty was 1.89 NS (about $0.40 to $0.45) per kilogram for pears and 3.46 NS (about $0.74 to $0.83) per kilogram for apples with a quota of 1,855 MTs for apples and 912 MTs for pears. The Northwest Horticulture Council has asked USTR to negotiate for duty free access by 2007 and a significant expansion of the duty free quota volumes during the tariff phase-out time period.

A new agreement has been reached but not finalized as of 2004. The implementation timeframe has not been clarified.

JAPAN

BEEF

Issue: Tariffs

Currently, exports of U.S. beef to Japan are prohibited due to the single December 2003 U.S. Bovine Spongiform Encephalopathy (BSE) case. After the single May 2003 Canadian BSE case, U.S. beef was required to be certified free of Canadian beef. U.S. inspection guidelines and procedures have changed and U.S. officials have been negotiating for the reopening of the Japanese market.

Under the 1988 United States-Japan Beef and Citrus Agreement, beef tariff reductions were negotiated and the import quota system was removed (394,000 metric tons in fiscal 1990 became a 70% import tariff in 1991). The agreement also removed restrictions on the purchasing and distribution of beef. The Uruguay Round on Agriculture further lowered the tariffs from 50% to 38.5% in 2001. Tariff reduction levels were:

1991: 70%	1993: 50%	1997: 44.3%	1999: 40.4%	2001: 38.5%
1992: 60%	1996: 42.2%	1998: 42.3%	2000: 38.5%	No further reductions scheduled

Japan has a safeguard in place for beef. If cumulative beef imports on a quarterly basis exceed the imports of the previous corresponding period by 17% then the beef tariff "snaps back" to 50%. In 2003, the safeguard was triggered and beef tariffs became 50% on August 1, 2003. The U.S. argued against the tariff increase, claiming that the most recent year's imports appeared to be artificially high when compared to the previous year when BSE cases were confirmed in Japan, driving beef consumption and imports to low levels.

FRUIT

Issue: Apples – Phytosanitary Barrier

Idaho apples are prohibited due to alleged phytosanitary concerns over fire blight. In November 2003, the WTO Appellate Body ruled that Japan acted without sufficient scientific evidence or without basing import restrictions on a risk assessment. The ruling enforces that health and safety requirements must be based on sound science. Removal of Japan's WTO-inconsistent import barriers will open the market to potential U.S. imports as well as give the U.S. support for other markets that are using the same type of arguments to block U.S. imports. The U.S. and Japan have agreed to give Japan until June 30, 2004 to implement the WTO recommendations and rulings which are similar to below.

Washington and Oregon states were approved for apple shipments to Japan in 1995. Washington state apple exporters are required to:

- Fumigate all shipments with methyl bromide at the U.S. packing facility prior to export in order to control codling moth.
- Have three separate tree-by-tree inspections of the registered orchard and 500-meter buffer zone to verify freedom from symptoms of the bacterial disease fire blight in candidate orchards
- Have a 55-day cold treatment
- Have an inspection prior to shipment requiring the presence of Japanese MAFF inspectors.

The fumigation requirement is expensive and negatively impacts the shelf life of the product. The 500-meter buffer requirement severely limits participation by the growers, as it is very difficult to locate orchard blocks that meet this requirement. This restrictive protocol has resulted in Washington apple growers not being able to export to Japan.

Japan has been unwilling to modify its requirements for fire blight risk mitigation, even after the 2001 research it required and helped design demonstrated that its protocol was unnecessary. Scientific literature documentation shows that fire blight already exists in Japan. Furthermore, evidence demonstrates that commercially produced and packed fruit is extremely unlikely to transmit fire blight.

In 1997, the U.S. filed a complaint with the World Trade Organization (WTO), claiming Japan's quarantine system constituted a trade barrier as it requires exporters to submit scientific data for each variety. In 1999, the WTO sided with the U.S. and demanded that Tokyo simplify its quarantine system. In 2000, the U.S. took the unprecedented step of agreeing to carry out joint research proposed by Japan to confirm the results of the earlier studies. Conducted by the U.S. Department of Agriculture's Agricultural Research Service (ARS) and Japan's Ministry of Agriculture Forestry and Fisheries (MAFF), the joint research confirmed that mature, symptomless apples are not carriers of fire blight. This finding provided additional scientific support for the U.S. position that Japan's restrictions are unwarranted. In 2001, Japan committed to introduce a new quarantine system and a system to apply the data approved for one variety to another. Japan limits U.S. apples imports to Red Delicious, Golden Delicious, Gala, Jonagold, Fuji, Granny Smith and Braeburn varieties. The protocols continue to restrict access to the Japanese market.

Issue: Cherries – Phytosanitary Issue

U.S. cherry exports to Japan must be fumigated with methyl bromide in order to control Codling Moth and Western Cherry Fruit Fly. Idaho has both of these pests. The U.S. government has submitted a systems approach to the Japanese government for consideration that combines post harvest inspection with good orchard pest management practices. The industry has supplied documentation, showing the proposed systems approach provides quarantine security equivalent to methyl bromide fumigation and research demonstrating cherries are not suitable hosts for codling moth.

In addition, Japan's quarantine system constituted a trade barrier, as it requires exporters to submit scientific data for each variety (see WTO case information above). Japan limits the import of U.S. fresh cherry varieties to Bing, Brooks, Chelan, Lapin, Garnet, Sweetheart, Lambert, Rainier, Tulare, and Van.

Issue: Tariffs

Japan imposes import duties of 17% ad valorem on apples.

DAIRY PRODUCTS

Issue: Tariffs Rate Quotas

Japan limits worldwide dairy product imports through a restrictive quota system. Imports within the quota are also assessed excessive duty rates.

H.S. Code	*Product description*	*Quota*	*Tariff*
0404.10.1110	Whey with added sugar (6.48)	137,202 MT*	35%
0404.10.1191	Whey without added sugar (6.48)		25%
0404.10.1213	Whey, mineral concentrated with added sugar	14,000 MT	35%
0404.10.1224	Whey, mineral concentrated without added sugar		25%
0404.10.1294	Mineral concentrated whey outside quota		29.8% + 25? /kg
0404.10.1316 0404.10.1412	Whey for animal feed	45,000 MT	0
0406.20.2005	Grated or powdered cheese (not processed cheese)	0	26.3%

* The Government of Japan has committed to import 137,202 MT (whole milk equivalent) per year under the quota for designated dairy products for general use. No less than three fourths of this quota quantity will be available for the imports of skimmed milk powder and butter; 4,500 MT will be allocated for imports of food-use whey and modified whey. The coefficient for a calculation to obtain the weight in whole milk equivalent is shown in parenthesis.

POTATOES - FRESH

Issue: Phytosanitary Restrictions

Idaho fresh potatoes are prohibited entry into Japan due to concerns about various pests and diseases, several of which occur in Idaho. Since 2000, the U.S. industry has been aggressively working to open the Japanese market for U.S. chipping potatoes with the support of Japanese chip manufacturers. In 2003, the U.S. Potato Board (USPB) submitted a joint proposal with Japanese chip manufacturers to the Japanese Prime Minister’s office requesting a special deregulation zone for chip potato imports. Chipping potatoes would be exported in sealed containers to the manufacturing facility solely for processing purposes. Japanese officials expressed concern, but industry is optimistic that protocol development could occur.

PROCESSED FOODS

Issue: Food Additive Restrictions

In February 2004, the Japanese government published a proposed list of 38 food additives intended for market withdrawal. The revised list is expected to be announced in February 2005 and enforcement would begin in August 2005.

Use of emulsifiers, coloring agents, and artificial flavors for products intended for the Japanese market need to be reviewed. Some products have difficulty at customs due to food ingredient discrepancies. The Oregon Export Service Center is approved by the Japanese government to pre-approve food and agriculture products for the Japanese market.

KOREA

BARLEY - MALT

Issue: Tariff Rate Quotas

South Korea uses quotas to encourage the purchase of domestic malting barley and discourage imports even though domestic barley may cost as much as four times that of imported malting barley.

Year	*Quota*	*Tariff in quota*	*Tariff outside of quota*
2003	30,000 MT	30%	518.7%
2004	30,000 MT	30%	513.0%

BEEF

Issue: Tariffs

Currently, exports of U.S. beef to Korea are prohibited due to the single December 2003 U.S. Bovine Spongiform Encephalopathy (BSE) case. High tariffs have been the most significant impediment to beef trade with a 40% tariff for 2004. U.S. beef exports to Korea had increased as the complex retail marketing practices had been eliminated in 2002. U.S. beef was gradually working its way into the 45,000 shops that had been selling only Korean beef. Marketing barriers of product knowledge and benefits are being addressed by the U.S Meat Export Federation (USMEF) and USDA and USTR are negotiating for the reopening for U.S. beef imports.

DAIRY

Issue: Tariff Rate Quotas

Korea has restrictive tariff rate quotas on many dairy products.

H.S. Code	*Product description*	*2002 Maximum Bound Quota*	*2004 Maximum Bound Quota*
0404.10	Whey and modified whey, whether or not concentrated or sweetened	47,292.3 MT Tariff under quota: 20% Tariff over quota: 59.4%	54,233 MT Tariff under quota: 20% Tariff over quota: 49.5%
1702.11.10	Lactose, containing by weight 99% or more lactose, expressed as anhydrous lactose, calculated on dry matter (moisture less than 5%)	8,564 MT Tariff under quota: 20% Tariff over quota: 59.4%	9,400 MT Tariff under quota: 20% Tariff over quota: 49.5%

FRUIT

Issue: Apples and Pears -- Phytosanitary barriers

Despite more that 15 years of negotiations, U.S. apples and pears continue to be banned from import into Korea due to alleged phytosanitary concerns over codling moth and fire blight. This regulation protects domestic production, but not for scientific reasons.

Korean apples were granted initial access to the U.S. market in 1994, and enter the U.S. duty free. In 2001, Congress requested that USDA-APHIS withdraw a proposed rule that would relax import requirements for Korean Fuji apples. Current safeguards would have been removed which are designed to prevent the introduction of harmful tree-fruit pests present in Korea. APHIS received 323 comments critical of the proposed rule, specifically citing concerns about potential introduction of harmful foreign pests and concerns about re-exports of Chinese Fuji apples through Korea to the U.S. There were no supporting comments submitted. No further action has been taken by APHIS.

Issue: Cherries – Phytosanitary Issue

Bing, Lambert and Van varieties of cherries can be exported to Korea with methyl bromide fumigation to control Codling Moth. The industry has proposed a systems approach which provides quarantine security that is equivalent to that provided by methyl bromide fumigation as well as recent research that demonstrates that cherries are not a suitable host for codling moth.

Issue: Tariffs

Effective January 1, 2004, the applied tariff rates are: Apples - 45% (WTO concessive rate), Pears - 45% (General tariff), and Cherries - 24% (WTO concessive rate).

ONIONS

Issue: Tariff Rate Quota

Korea restricts onion exports through high tariffs and limiting quotas.

Year	*Quota*	*Tariff in quota*	*Tariff outside of quota*
2003	19,725.5 MT	50%	136.5% or 182 won per kilogram, whichever is higher
2004	20,645 MT	50%	135.0% or 180 won per kilogram, whichever is higher

POTATOES - DEHYDRATED

Issue: Tariff Rate Quota

Korea’s potato tariffs are among the highest in the world. Korea has strict limitations on imports of dehydrated potato products through restrictive quotas and high over-quota duty rates. Product over the quota is effectively prohibited due to a 307% duty.

H.S. Code	*Product description*	*Quota*	*Tariff under quota*	*Tariff over quota*
1105.10	Potato flour, meal powder	60 metric tons (1)	6.6%	307%
1105.20	Potato flakes, granules, pellets			
1108.13	Potato starch and other modified starches under H.S. code 3505	43,452 MT (2)	8.0%	470.3%

H.S. Code	Product description	Quota	Tariff under quota	Tariff over quota
2005.2	Potato preparations (other vegetables prepared or preserved otherwise than by vinegar or acetic acid. Not frozen)	0	20%	Not subject to a quota

(1) Combined quota for HS 1105.10 and 1105.20
(2) The quota is the combined quota of HS 1108.13 (potato starch) and 6 other starches

The American Potato Trade Alliance (APTA) has worked with USTR on this issue since 2000. In 2002, ISDA officials discussed the issue during the Governor's trade mission to Korea. Recently, Korean officials have communicated that industry is interested in importing additional U.S. potatoes. Industry is seeking expansions of the Korean quotas for fresh (18,800 MT) and dehydrated products.

Issue: Sulfite Tolerance

Korea's sulfite tolerance for dehydrated potatoes is 30 ppm (parts per million), while world standards are 500 ppm. In January 2004, the U.S. Potato Board (USPB) submitted an application to the Korean Food and Drug Administration, asking the standards be changed to 500 ppm.

POTATOES - FRESH

Issue: Phytosanitary Concerns

In November 2002, a test shipment of U.S. chipping potatoes was sent to Korean industry. The Korean Quarantine Ministry notified the exporter that a fungus, Verticillium tenerum (VT), had been found, resulting in product quarantine. Despite negotiations, Korean officials destroyed the product in January 2003. VT was not listed on the import permit. In 2004, Korea committed to removing this non-pathogenic fungus from its quarantine list based on sound science, effective in June 2004. Shipments of chipping potatoes resumed in 2003, and Korea's decision should make shipments easier.

MEXICO

BEANS

Issue: Import Permit Auctions

Upon NAFTA implementation, Mexico converted its import-licensing regime for U.S. dry beans imports to a transitional tariff-rate quota (TRQ). Under NAFTA, beans have a 15-year phase-out for tariffs (by 2008). An importer must have an import permit which is obtained at auctions that sell the right to import beans within the quota. The auction effectively creates an import tax. The 2004 over quota tariff is 46.9%. The TRQ is approximately 72,480 MT. In 2003, the auctions took place on May 9, 2003 for 22,399 MT and on July 1, 2003 for 43,492 MT. The quota program continues to keep the prices high for Mexican buyers and impedes trade. Complex financial transactions cause U.S. exporters concern as to whether payment will be made.

Previous negotiations in 2001 produced the following additions to the original NAFTA agreement:

- *Timing:* Mexico will hold two auctions per year, one on March 1 for 1/3 of the quota and one June 1 for 2/3 of the quota. The auction will be announced a minimum of 30 days in advance.
- *Validity:* Permits from March auctions will be valid until May 31. June auction permits will be valid from July 1-Sept. 30.
- *Transferability:* Mexico will allow permit holders to transfer up to 70 tons.

- *Eligibility:* Mexico will eliminate the dual requirement that a bidder, during the last year, have imported beans and purchased domestic beans. Rather, Mexico will require that a bidder must have imported OR traded domestic beans during the last year to be eligible to bid.

After these changes, bean sales continued without interruption until January 2003 when a phytosanitary issue emerged.

Issue: Phytosanitary Issue

In January 2003, Mexico effectively closed its border to dry edible bean imports when SAGARPA imposed a temporary suspension in the inspection of dry edible beans from the U.S. and Canada. Mexico changed the border closure reason several times including a phytosanitary regulation that was not scientifically based. Mexico failed to provide legal justification for the closure and neglected to honor the provisions under NAFTA that provide for dialogue, shared information and cooperation.

The suspension was rescinded in April 2003, but SAGARPA put regulations in place, NOM-041, which imposed onerous new phytosanitary requirements on imported dry edible beans from the U.S., Canada, Argentina, Nicaragua, and Chile. In May 2003, SAGARPA cancelled NOM-041 and established new phytosanitary requirements (below), NOM-006, for U.S., Canada, Chile and Nicaragua.

- An International Phytosanitary Certificate must be issued by the corresponding authority in the country of origin and must state the province or state from which the product originated and that the product comes free of soil.
- A phytosanitary inspection must be carried out at the point of entry.
- A sample will be taken for testing at a laboratory approved for phytosanitary diagnosis. The samples will be tested for insects, weeds, fungus and bacteria. The costs for this testing will be borne by importers.
- Phytosanitary treatment in the country of origin or at point of entry into Mexico, in conformance with methyl bromide specifications (www.fas.usda.gov/gainfiles/200305/145885755.pdf).
- When the treatment is applied in the country of origin, the specifications must be noted on the International Phytosanitary Certificate.
- The containers and packages must be new, must be pre-printed with the name and variety of the product, net content of the container, names or trade name and fiscal address of the producer, packer or associated company, country of origin, identification of the lot and cycle of harvest.

Dry bean trade is continuing to Mexico, reportedly in reduced volume, despite the onerous regulations. Trade for Idaho bean seed has been limited, and Idaho industry is working to establish a trial program with Mexican cooperators.

BEEF and CATTLE

Issue: Anti-Dumping Duties

Currently, exports of U.S. beef to Mexico are prohibited due to the single December 2003 U.S. Bovine Spongiform Encephalopathy (BSE) case.

In 1998, Mexican cattlemen requested an anti-dumping investigation, alleging that U.S. livestock and beef products were sold at prices below domestic prices. In 1999, the Mexican Department of Commerce (SECOFI) imposed dumping duties on beef and beef variety meat imports from the U.S. The final decision announced in 2000, resulted in various anti-dumping duties that vary by product and range between zero and $0.80/Kg. Product graded USDA Prime or certified by USDA as "Angus Beef" is exempt.

In 2003, USTR filed a WTO case against Mexico's antidumping restrictions on U.S. beef (and rice). The U.S. claims that Mexico has violated numerous WTO obligations by its methodology for determining whether Mexican industries were injured by U.S. beef imports, its failure to terminate the investigations when the Government of Mexico found that dumping or injury was not occurring, its calculations of dumping duty rates applicable to U.S. imports, and its non-transparent dumping and countervailing subsidy determinations. The investigation is ongoing.

CANOLA

Issue: Phytosanitary Restrictions

Mexico accepts U.S. rapeseed seed, canola oil and canola meal. Under NOM 28, however, Mexico prohibits entry of commercial U.S. canola while accepting Canadian canola. The term "canola" is actually a trade name for rapeseed owned by the Canola Council of Canada. The Council has granted the U.S. the rights to use the name canola at no charge. Industry has commonly distinguished rapeseed and canola by erucic acid content:

- Rapeseed – high erucic acid, industrial use
- Canola – low erucic acid (less than 2%), used for human consumption

Both are botanically equivalent and subject to the same pests and diseases. Mexico seeks a risk analysis to modify NOM 28 but grandfathered Canada. The specific diseases and pests of concern are not clear. Mexico is conducting a Pest Risk Assessment (PRA) for canola. U.S. officials have been told on numerous occasions that it would be completed soon and the requirements would be published in their official gazette but no results have been forthcoming.

DAIRY

Issue: Milk Powder -- Tariff Rate Quotas

NAFTA established a tariff rate quota for milk powder that increases 3% per year. The initial quota of 40,000 metric tons (MT) has grown to 53,750 MT for 2004. Until 1999, CONASUPO was the exclusive milk powder importer into Mexico. The Mexican Department of Commerce (SECOFI), re-named the Secretary of Economy, now allocates import permits *(cupos).* Industrial users of milk powder may obtain quotas for importation at zero duty but only for 80% of their average 1996/1997/1998 purchases. For their remaining requirements, companies can offer closed bids to pay a fee per ton to obtain the necessary import permit for an amount up to the maximum quantity allowed under the quota.

Skim Milk and Whole Milk Powder Import Duties and Quotas

Year	U.S. Quota (tons)	Over Quota Duty (%)	Quota from all other countries (tons)	Over Quota Duty (%)
2003	52,191	58.71	120,000	128
2004	53,750	46.98	120,000	128
2005	55,369	35.25	120,000	128
2006	57,030	23.52	120,000	128
2007	58,741	11.79	120,000	128
2008	60,504	0.06	120,000	128

Source: U.S. Dairy Export Council

Mexico is regularly announcing auctions and is keeping with its commitments under the WTO agreement and NAFTA. As of January 2004, U.S. dairy exporters ship most products to Mexico duty-free as a result of NAFTA tariff phase-outs, the lone exception being skim milk powder.

FRUIT

Issue: Apples - Costly On-Site Inspection Procedures

Apple exports to Mexico are limited to Idaho, Washington, Oregon and Michigan. Although no listed quarantine pest has been detected at the border, the protocol requires apple exports to be supervised by an official of the Mexico Export Inspection Office (MEIO). The Yakima, Washington MEIO was scheduled for closure in 2001 with oversight functions to be turned over to the USDA/APHIS. Currently, one Mexican officer continues to staff the Yakima office. The Mexican inspector and MEIO office costs used to be paid by the U.S. industry at a cost of $350,000 annually. The funds are currently being provided by the USDA Special Crop Funds Grants, an appropriate funding source.

Issue: Apples - Safeguard Duty/Minimum Reference Price

In 2002, Mexico terminated the 1998 reference price agreement, resumed the antidumping investigation, and announced the final conclusion that the domestic industry had suffered damage. A final duty of 46.58% was placed on U.S. apple imports. In 2003, the NAFTA agreement reduced tariffs to zero, but the 46.58% safeguard duty has reduced sales by 25%. The safeguard duty is still in place. The 2002 market was valued at $125 million and 30% of all U.S. apple exports.

In 1997, Mexico initiated an antidumping case against Northwest apples. In 1998, Northwest Fruit Exporters (NFE) entered into an agreement with the Mexican Department of Commerce (SECOFI/SE) that suspended the investigation into the alleged dumping of U.S. fresh Red and Golden Delicious apples. Mexico removed the 101% duty that had effectively halted U.S. apple exports. The agreement required a minimum reference price of $13.72 per 42lb. carton FOB U.S. treatment facility in 1998 (1999-2000: $11.29, 2000-2001: $11.48, 2001-2002: $11.05). U.S. apple exporters have lost market share to other international suppliers who are not subject to set minimum prices. In 2002, the Regional Agricultural Fruit Producers of Chihuahua (UNIFRUT) protested the prices, went to court, obtained a review of the reference price, and finally moved officials to terminate the reference price agreement (it was to end on April 1, 2003 and conclude the antidumping case). The decision stated the Mexican industry had suffered damages because of increased U.S. Red and Golden Delicious apple imports that were sold at discriminatory prices in Mexico (from January-June 1996).

Issue: Stone Fruit (Peaches, Nectarines, Apricots) On-Site Inspections

In 1997, a pilot program was signed by Mexico and the U.S for the export of unfumigated peaches and nectarines from California. Continual discussions occurred, allowing California stone fruit and Northwest (Idaho, Oregon and Washington) apricots into Mexico in 2002 under a systems approach program with registered packing facilities. The low prevalence of Oriental Fruit Moth (OFM), documented in three technical visits by Mexican officials, allowed the avoidance of oversight costs (a U.S. office) that are currently required for other U.S. stone fruit export programs to Mexico.

Slight program modifications were in 2003 and 2004. The Northwest Horticulture Council and the ISDA plan to bring a Mexican technical group to Idaho to initiate protocol development for peaches and nectarine. OFM will need to be addressed as peaches and nectarines are primary hosts (apricots are not). Although the pest does occur in Idaho, it is not a problem in well-managed orchards. Current inspection and quarantine procedures as well as USDA APHIS phytosanitary protocols commonly accepted around the world effectively protect shipments.

POTATOES – FRESH

Issue: Phytosanitary Restrictions

Historically, Mexico allowed U.S. fresh potatoes imports on a sporadic basis, basing closures on Columbia Root Knot Nematode (CRKN) and Golden Nematode pest concerns. In 2003, Mexico agreed to U.S. fresh potato imports to a 26-kilometer (16 miles) border zone in year one, to the five border states in year two, and to the remainder of Mexico in year three, based on bilateral talks.

In May 2003, shipments commenced. Potato volume shipped through July 2003 was 11,000 metric tons (24.2 M Lbs) for a value of $4.2 million. Potatoes were shipped from Colorado, Washington, California and Oregon. Pest detections occurred in about 34 shipments (close to 10%) which stopped shipments in September. After discussions and protocol adjustments, shipments resumed in October. Since then, 600 loads have crossed with one sole pest detection (less than 1%).

U.S. industry and officials are working closely with Mexican counterparts to improve working relations. The U.S. has completed a pest risk analysis (PRA) for Mexican potato imports into the U.S., and U.S. industry representatives met with Mexican growers and organization officials in February 2004.

During recent discussions, APHIS asked Mexican officials to consider reinstatement for the suspended shippers, the ending of 48-hour hold rule at the border for test results, and the expansion to the northern states of Mexico from the current 26 km export zone. It is anticipated that once the U.S. has one year of successful shipping under the revised shipping protocols, negotiations to open the five border states will commence in the fall of 2004.

POTATOES - SEED

Issue: Phytosanitary Protocol Procedure

Mexico prohibits all parts of the potato for planting, except prenuclear seed due to phytosanitary concern for *Meloidogyne Chitwoodii*, or Columbia Root Knot Nematode. Although this nematode does exist in Idaho, survey data can show where it is or is not located. Certification for "free of Meloidogyne Chitwoodii" can be done by specific growing area. Seed potatoes from certified free areas should be accepted for importation.

Negotiations have been ongoing and the U.S. submitted a suggested protocol which would allow Mexican pre-nuclear seed potatoes into the U.S. and allow U.S. pre-nuclear and field grown seed potatoes into Mexico. USDA completed a risk analysis in 2002 for a proposed rule to allow Mexico mini tuber potatoes into the U.S. and the risk analysis was published for comment in August 2002. Currently, Canada is the only country from which the U.S. accepts field grown seed potatoes.

SUGAR

Issue: Excessive Imports

The U.S. sweetener market has transitioned from an all sugar market 30 years ago to a mixed market of sugar and high-fructose, downsizing production by over 60 sugar processing mills, factories, and refineries. The Canadian industry has undergone this process and now Mexico must transition.

Mexico continues to directly subsidize the industry with $250 million year and by overseeing 27 of the 60 mills by a government run national sugar authority. The sugar authority issues production and export quotas to the remaining 33 private mills. The program is intended to maintain a stable local supply and keep exports orderly.

The Mexican sugar industry has continually asked for expanded access into the U.S. market. In 2003, pressure has diminished as Mexicans have gained domestic market share at the expense of U.S. high fructose corn syrup (HFCS). In 2002, Mexico imposed a 20% domestic tax on soft drinks using HCFS, specifically to slow U.S. HFCS imports and to create greater demand for domestic sugar. The U.S. sugar industry continues to advocate no new access for Mexican sugar imports.

PERU

PEAS, LENTILS and CHICKPEAS

Issue: Fumigation

In 2002, Peru added fumigation as a requirement to the import permit for pulses. The USA Dry Pea and Lentil Council asked USTR and APHIS to investigate, and the Peruvians explained the change was to occur due to phytosanitary concerns. The Peruvians delayed fumigation requirements until further investigation of the situation could occur. Although other solutions were discussed, fumigation requirements are in place. Exports to Peru decreased in 2002 and then increased in 2003.

PHILIPPINES

SEED

Issue: Grass Seed -- Pests and Diseases

Certain grass seeds are prohibited entry. As requested, ISDA provided a list of pests and diseases of Bermuda and Zoysia grass to USDA to send to Philippine officials in 1999. USDA sent the list to the Philippines to be used to develop an acceptable protocol. No progress has been made as of 2004.

TAIWAN (Republic of China)

ALL PRODUCTS

In November 2003, a Taiwan company registered other companies' trademarks as its own, resulting in trade disruptions. After an importer informed FAS/Taipei, their inquiry at Taiwan's Intellectual Property Rights Office (TIPO) showed that a Taiwan wholesaler's relative had registered 30 different U.S., New Zealand and Japan onion brand names as his own trademarks in July 2003. These registrations were granted even though they were submitted *en masse* and for brand names used by U.S. exporters for many years in the Taiwan market. The trademark registrant was supposedly asking NTD 2 million (~$60,000) from each importer for permission to use "his" trademarks. FAS/Taipei worked with the U.S. potato industry and State Departments of Agriculture to provide clarification and verification of the trademark's rightful ownership to TIPO. TIPO then began the process of revoking all the pirated trademarks for U.S. onions, and has stopped enforcing the Taiwan registrant's trademarks, effectively rendering them void.

The ambiguous status of U.S. onion brands and trademarks temporarily disrupted trade and raised serious concerns amongst Taiwan traders. Beyond onions, the parasitical trademark registrations highlighted the vulnerability to other possible registrations of other U.S. fruit and vegetable brands marketed in Taiwan, creating the possibility of much larger trade disruptions in the future. To forestall future parasitical trademark registrations, AIT has given TIPO trade contacts that will allow them to verify the use of imported trademarks.

To protect U.S. brands and trademarks, TIPO strongly recommends that all U.S. exporters with a trademark, brand, variety or other related intellectual property rights (IPR) register them as trademarks as soon as possible. Although TIPO committed to conduct due diligence on further food related trademark registrations, the best way to protect an exporter's IPR is through registration. The Idaho trade office in Taiwan can assist Idaho companies with this process. The trademark registration fee is NT$4,000 (US$120) for each registration, which must be translated into Chinese. Registration information can be found at: www.tipo.gov.tw/eng/howto/procedures-t.asp.

FRUIT

Issue: Tariffs

Taiwan is the third largest market for U.S. apples. With Taiwan's WTO accession in 2002, import quotas were lifted on fresh fruit imports from Argentina, Australia, Chile, Japan, Korea, New Zealand and South Africa. This increased competition along with the potential for Chinese competition puts U.S. exports at risk. Tariffs are 20% for apples, 10% for pears, and 7.5% for cherries. The Northwest industry is seeking tariff elimination for U.S. products only to increase its competitive edge.

FRUITS AND VEGETABLES – FRESH

Issue: Pesticide Tolerances

In 1999, Taiwan proposed significant changes in the allowable pesticide tolerance levels and testing requirements for fresh produce. Applications to establish maximum residue levels (MRLs) on various chemicals were closed in 2000. Several hundred applications were submitted and Taiwan reviewed the applications to establish permanent MRLs. Provisional MRLs, based on U.S. MRLs, have been established for each commodity. Permanent MRLs are still in process (www.nwhort.org/taiwan.html).

POTATOES-DEHYDRATED

Issue: Sulfite Tolerance

Taiwan's sulfite tolerance for dehydrated potatoes is thought to be 30 ppm (parts per million). The U.S. industry is clarifying the situation and if needed will make an application to Taiwan's Food and Drug Administration to ask the standards be changed to the world standard of 500 ppm.

POTATOES - FRESH

Issues: Late Blight.

Exports of U.S. potatoes are limited to five states: Idaho, Oregon, Washington, Alaska and California. Other states must obtain an import permit which generally does not occur. Among many requirements, Taiwan requires that fresh potatoes be field inspected for late blight. This can easily be done for an inspection fee, but potential exporters do not want to spend the cost of inspection and separate storage without a sales commitment. General practice on purchasing by the Taiwanese is to wait until their domestic produce is all sold, then begin ordering from other countries. This generally occurs past the time when the potatoes can be field inspected as most are already harvested. It would be easier for Idaho exporters and equally accurate to conduct an Elisa test (enzyme-linked immuno sorbent assay) of harvested potatoes rather than conduct a field inspection.

POTATOES - PROCESSED

Issues: Tariffs

In February 1998, the U.S. and Taiwan agreed to a market access package that was part of Taiwan's WTO accession commitments. The frozen French fry tariff in bags over 1.5 kilo is 12.5% and the tariff on other frozen potato products is 18%. High tariffs continue to be the main impediment to trade.

THAILAND

FRUIT

Issue: Tariffs

Tariffs are 10% for apples, 30% for pears and 40% for cherries (ad valorem). As a result of the ASEAN-China Free Trade Area, the U.S.'s largest competitor, China, has been able to export competitive products to Thailand duty free since October 2003.

Issue: Minimum Value System

Thailand calculates the import duty based on a minimum value system, utilizing an average of three invoices instead of using the transaction value, and on the highest priced variety. This system is not a GATT standard which Thailand agreed to follow in 2000. The high landed price of U.S. fruit makes competition difficult as China has duty free access to Thailand's market.

POTATOES - PROCESSED

Issue: Tariffs

Thailand's 2004 bound duty is 30%, resulting from a 10 year reduction from 50%. The tariff is still one of the highest in the region. The American Potato Trade Alliance (APTA) has requested that Thailand reduce its ad valorem tariff on HS 2004.1 to less than 15%. As a top priority, four APTA delegations have traveled to address this issue in the past several years, beginning in 2000. APTA has coordinated letters signed by members of Congress to the Thai Ambassador and has held several meetings with senior visiting Thai officials.

PULSES

Issue: Tariffs

Although trial plantings have proven unsuccessful due to environmental and genetic limitations, Thailand continues to have tariffs on pulses, specifically Dry Peas, Chickpeas, and Lentils. Previously as high as 60%, tariffs are expected to be near 30% in 2004.

The USA Dry Pea and Lentil Council have asked that tariffs be reduced to 5% or less, adding that it would allow lower cost raw materials to local food and feed processing industries and it would increase the value-added product output. Since there is no local production of these crops, these benefits could be achieved with no negative impacts on Thai pulse growers.

VENEZUELA

ALL PRODUCTS

Issue: Import Permits

Following years of discussions, temporary agreements and unsuccessful negotiations on improving the import system in Venezuela, USTR requested WTO consultations in 2002. The case is ongoing. Import licensing practices prevent entry of $200 million in U.S. agriculture products for goods including corn, dairy products, fruits, poultry and beef annually. Venezuela has failed to establish an open and predictable system for issuing import licenses, has continued application processing delays, and has failed to publish rules and information on licensing procedures. The American Potato Trade Alliance, the U.S. Dairy Export Council, the Northwest Horticulture Council and other associations fully support USTR's efforts in the WTO complaint process (www.ustr.gov/reports/nte/2003/venezuela.pdf).

FRUIT

Issue: Tariffs

Tariffs for apples, pears and sweet cherries are 15%. U.S. fruit trade is limited by tariffs, the import permit system, and the duty free access negotiated by the Andean Community (Bolivia, Columbia, Ecuador, Peru and Venezuela) and Chile.

VIETNAM

FRUIT

Issue: Tariffs

Vietnam reduced its tariff on apples and pears from 40 to 25% in 2004 under the U.S.-Vietnam Bilateral Trade Agreement. The tariff on sweet cherries is 40%. The tariffs and the regulation complexity significantly add to the cost of landed U.S. fruit.

POTATOES - PROCESSED

Issue: Tariffs

After years of work, the US-Vietnam Bilateral Trade Agreement (BTA) went into effect on December 10, 2001. Vietnam agreed to lower the tariff on vegetables from 30% to 20% and lower the tariff on frozen fry type products from 50% to 40% between 2003 and 2005. The American Potato Trade Alliance (APTA) has encouraged USTR to request that Vietnam further lower tariffs to 10%.

IMPORT ISSUES

COUNTRY OF ORIGIN LABELING (COOL)

ALL PRODUCTS

Issue: U.S. Country of Origin Labeling (COOL)

The 2002 Farm Security and Rural Investment Act amended the Agricultural Marketing Act of 1946 to require retailers to inform consumers of the country of origin for muscle cuts of beef, lamb, and pork; ground beef, lamb, and pork; farm-raised and wild fish and shellfish; fresh fruits and vegetables and peanuts. Voluntary COOL went into effect in September 2002.

Mandatory COOL was to go into effective in September 2004, but has been delayed due to industry concerns of cost and implementation. Estimated implementation costs for COOL range from USDA's $1.9 billion for all covered commodities to a high of $5 billion estimated by the National Pork Producers Council. Opponents of COOL point out that the costs of mandatory labeling will be felt throughout the system and eventually fall on producers who will see the impact on their bottom line as retailers and packers require verification in order to comply with the law. The Food Marketing Institute argues that retailers would be required to inform consumers of the COOL for over 600 different "covered commodities" and that this would require information from thousands of suppliers. Proponents argue that the measure is necessary to compete against foreign suppliers and imports and this will give U.S. products an advantage, as U.S. products are the safest in the world.

CANADA

CATTLE

Issue: Bovine Spongiform Encephalopathy (BSE)

On May 20, 2003, Canada received confirmation from a laboratory that a single cow tested positive for BSE. The U.S. immediately halted imports of live ruminants and most ruminant products from Canada. On August 8, 2003, USDA began accepting applications for import permits for certain ruminant derived products. Importation protocols for live cattle under the age of 30 months are being developed. This is a result of a close review of the international standards set by the International Office of Epizootics (OIE)—the standard-setting organization for animal health for 164 member nations; an exhaustive epidemiological investigation into the case by Canada, during which no other animals were found to be infected; and additional risk mitigation measures put in place by Canada in response to a review of their investigation by an independent expert panel. For more information, go to www.usda.gov/news/releases/2003/08/0281.htm.

On December 23, 2003, the U.S. received confirmation that a single cow tested positive for BSE. Despite the completion of the investigation, U.S. exports of beef products are prohibited by countries worldwide, including Canada, although negotiations continue. Primary U.S. beef export markets are Japan, Mexico, South Korea, Canada and the rest of the world.

CHINA (People's Republic of China)

Issue: Pears -- Phytosanitary Concerns

Imported Chinese Ya pears have been detected numerous times over the last 2 years with the fungus *Alternari. Despite two wo*rk plan revisions over the last three seasons, detections were still occurring, revealing that the revisions or the management of the work plan were ineffective. In December 2003, USDA's Animal and Plant Health Inspection Service (APHIS) prohibited indefinitely the importation, sale and distribution of Ya pears from China and recalled all fruit. By January 23, 2004, all 3.2 million pounds of fruit was either destroyed or re-exported after the fruit was found in 906 of 7,617 stores surveyed.

This disease is not known to occur in the U.S. and if it were to become established, it would have a significant economic impact on the pear industry. There is concern that the fungus *Alternari* could also attack other tree fruits such as apples. The Tree Fruit Technical Advisory Council (TreeTAC) Pear Working Group's position is that Chinese Ya pears should not be allowed re-entry to the U.S. until scientific experts are convinced that the fruit will not introduce this destructive disease.

RECENTLY RESOLVED ISSUES

AUSTRALIA

FRUIT: Cherries- Fumigation

Under a fumigation protocol to protect Australian fruit from cherry fruit fly, cherry imports are allowed to parts of Australia from certain counties in California, Idaho, Oregon and Washington. No U.S. cherries are permitted into Western Australia, due to the possibility of introducing brown rot. In 2003, the fumigation protocols were changed to temperatures as low as 6°C (42.8°F) (versus 50-52 degrees) which is essentially the same protocols as for Japan and Korea, The ideal protocols would exclude fumigation treatment, as it is hard on fruit. Fumigation protocols are not expected to change.

CANADA

DAIRY PRODUCTS: Export Subsidies on Milk Products and Quotas on Fluid Milk

Canada's protectionist policies have historically undercut U.S. dairy exports. The U.S. filed WTO cases against Canada for its dairy export subsidy programs, and in 2002, Canada lost all appeals. In May 2003, Canada agreed to comply with the WTO ruling. Special export permits, exceeding Canada's Uruguay Round WTO level commitments, and other exceptions ended in July 2003.

In 1995, dairy export subsidy payments were replaced with a two-tiered pricing system based on export performance. Canadian dairy processors paid government-managed marketing boards a higher price for milk used domestically and a discount price for milk to be used in products for the export market. In 1999, the WTO ruled that Canada's special milk class system was indeed an export subsidy. In 2001, the "commercial export milk" (CEM) scheme was introduced. In 2002, the WTO found that Canada's CEM scheme provided an export subsidy in the form of discounted milk to Canadian businesses that processed cheese and other dairy products.

Fresh Potatoes: Phytosanitary Restrictions & Double Lab Testing

In 2002, Canada notified the U.S. that Potato Mop Top Virus (PMTV) had been found in U.S. potato shipments over the previous 18 months. A resulting joint U.S.-Canadian PMTV survey showed that the virus is present in both countries. In 2002-2003, USDA-APHIS and the Canadian Food Inspection Agency implemented the joint potato virus management plan to maintain high quality seed potato production through seed certification measures. The Wisconsin lab is now approved to certify potato seed and the Eastern Idaho lab is in the approval process with funds supplied by a national potato organization. Previously Canada's seed law provided that only Canadian lab results were acceptable. Continued procedure implementation is critical to control and manage pests, maintain existing high quality seed production, and minimize the impact on commercial potato production.

CENTRAL AMERICA

FRUIT & POTATOES: Tariffs

In January 2004, the Central America Free Trade Agreement (CAFTA) negotiations were concluded when Costa Rica joined the agreement with El Salvador, Guatemala, Honduras, Nicaragua and the U.S.

Once CAFTA is enacted, all tariffs on apples, pears, peaches/nectarines and cherries will go to zero. Currently, tariffs for U.S. imports range from 15-25% while a competitor, Chile, has duty free access. The treaty must be ratified by Congress to enact CAFTA. Agriculture negotiation results can be found at: http://www.ustr.gov/new/fta/Cafta/2004-04-09-agriculture-specific.pdf.

Under the agreement, all tariffs on potatoes will be eliminated over 15 years, except for fresh potatoes in Costa Rica, where fresh potatoes will be on cut in the out-of-quota duty and liberalization will occur through expanded TRQ access. Frozen French fry access will be on the same basis as Canada: 6 year tariff phase out with a 2,631 MT TRQ growing at a 5% compound rate.

		Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua
Fresh Potatoes	0701.90	TRQ increase	12 years	15 years	15 years	15 years
Potato Flour	1105.10	Immediate	Immediate	Immediate	Immediate	Immediate
Dehydrated granules	1105.2010	Immediate	Immediate	Immediate	Immediate	Immediate
Dehydrated pellets	1105.2020	Immediate	Immediate	10 years	Immediate	Immediate
Frozen French Fries	2004.10	6 years (TRQ)	Immediate	Immediate	Immediate	Immediate
Potato Chips	2005.20	15 years	10 years	10 years	5 years	Immediate

CHINA

SEED: Grass Seed Phytosanitary Issues

In 2002, the Chinese Quarantine Department gave an official notification that "Tilletia fusca" had been detected in shipments of turf grass seed (blue and rye grass) from the U.S. even though it was not listed on the import permit. A USDA scientific report states species like Kentucky bluegrass are not hosts for Tilletia fusca and Telletia controversa. Also, Tilletia fusca does not occur in the grass seed production area that reportedly tested positive. It appears the claim is not scientifically based.

China quit issuing import permits for Kentucky Bluegrass (exported since at least 1983) and creeping Bentgrass. AQSIQ further explained that seed treatment was needed or future shipments would be returned or destroyed. APHIS requested clarification on laboratory test protocols and sampling rate needed to reach AQSIQ's desired level of confidence, in order to meet the Chinese requirements.

U.S. exports of Bluegrass and Bentgrass seed occurred in 2002 and 2003 as U.S.-Chinese relations improved. Imports increased in 2003 and appear to be flowing without serious interruptions.

JAPAN

FRUIT: Cherries -- Fumigation

U.S. cherry exports to Japan must be fumigated with methyl bromide in order to control Codling Moth and Western Cherry Fruit Fly. Idaho has both of these pests. The treatment temperatures are similar to those of Korea and Australia. Fumigation requirements are not expected to change.

POTATOES – DEHYDRATED: Sulfite Tolerance

In January 2004, Japan changed the sulfite tolerance for shredded, diced, and cubed dehydrated potatoes from 30 ppm (parts per million) to 500 ppm, making all tolerances for dehydrated potato products consistent. Since 1999, the U.S. Potato Board has petitioned Japan to add the additional products to its established tolerance, providing research and documentation to verify the request.

KOREA

FRUIT: Cherries -- Fumigation

Bing, Lambert and Van varieties of cherries can be exported to Korea with methyl bromide fumigation to control Codling Moth. The treatment temperatures are similar to those of Japan and Australia. Fumigation requirements are not expected to change.

MEXICO

BARLEY, POTATOES-FRESH & PROCESSED: Tariff Rate Quotas

Mexico had a Tariff Rate Quota (TRQ) limiting market access for Idaho malting barley, fresh potatoes and processed potatoes. The 2003 TRQ ended in January 2003. Industry continues to monitor the situation in 2003 as barley, malt and potatoes are on the sensitive products watch list.

MEAT PRODUCTS: Inspection Points

In 2000, Mexico's Agriculture, Livestock, Rural Development, Fisheries and Food Ministry (SAGAR) implemented laws changing all "verification points" for inspection of meat products to be "in Mexican territory". The most important provision was the moving of import verification points from the U.S. side of the border to the Mexican side of the border. Transition has occurred but issues on processing time and meat quality have occurred. Two facilities are fully operational in Columbia, Nuevo Leon (Nuevo Laredo), and an additional 11 are in various stages of production at other border points.

WHEAT: TCK Smut

In November 1998 the Mexican government issued a new rule specifying zero tolerance for TCK in wheat. The rule disrupted the flow of Idaho wheat into Mexico. This issue has not been officially resolved. Although the requirement still exists, the government is not enforcing the ban. Thus Idaho wheat has been moving into Mexico uninhibited. Mexico has proposed a NOM regulation change that would repeal the zero tolerance, but the change is not final. The Idaho wheat industry is linking with other states that have similar phytosanitary issues with Mexico to negotiate together.

UNITED STATES, California

ALFALFA HAY: Cereal Leaf Beetle (CLB)

Alfalfa is not a host to Cereal Leaf Beetle although grasses found in hay are hosts. California requires that grass hay be fumigated and alfalfa hay must be grass free. In 2003, compressed baled alfalfa hay was given an exception to the fumigation rule (not rolled hay or rounds). No certification needs to accompany the shipment and it will be inspected at the California border, but any shipment with live beetles or larvae will be rejected. Alfalfa has always been exempted from the quarantine unless it is contaminated with grass (it is difficult to not have some grass). Now the alfalfa can have grass but as long as it is compressed, it does not need to be fumigated.

APPENDIX BY PRODUCT

ALL PRODUCTS	WORLDWIDE U.S./IMPORTS VENEZUELA	Domestic Support, Export Subsidies, Food Safety, Pesticide Harmonization, Labeling, Strong U.S. Dollar, Bioengineered Products, Tariffs, Transportation Country of Origin Labeling (COOL) Import Permits
ALFALFA HAY	U.S. (CA), CANADA	Cereal leaf beetle (CLB)
BARLEY	CANADA CHINA E.U., KOREA, MEXICO	Dwarf Bunt, Flag Smut, Karnal Bunt TCK Smut Tariff Rate Quotas
BEANS	MEXICO	Import Permit Auctions, Phytosanitary Issue
BEEF/ MEAT	ALL MARKETS COLUMBIA JAPAN KOREA MEXICO	Closed due to BSE finding Tariff Rate Quotas Tariffs Tariff Rate Quotas, Marketing Restrictions Anti-dumping duties, Importer Registration, Inspection Points
CANOLA	MEXICO	Phytosanitary Restrictions
CATTLE/ LIVESTOCK	WORLDWIDE CANADA E.U. MEXICO	Transshipment Through Border Countries Animal identification, Disease Management in Feeder Cattle, Regionalization, Product Information Exchange Livestock -- Federal Endorsement of Animal Health Certifications Hormones Anti-dumping, Importer Registration
DAIRY PRODUCTS	BRAZIL CANADA JAPAN KOREA MEXICO TAIWAN THAILAND	Coliform Count, Ingredient Restrictions, Tariffs, Plant Inspections Tariff Rate Quotas, Export Subsidies, Cheese Stick Restrictions Food Labeling Restrictions, Tariff Rate Quotas Food standards, Tariffs, Ph Milk Powder – Tariff Rate Quotas Bleaching Agents Labeling Restrictions, Product Registration, Tariff Rate Quotas
FRUIT	ARGENTINA AUSTRALIA BRAZIL CANADA CENTRAL AMERICA CHILE CHINA CUBA E.U. INDIA ISRAEL JAPAN KOREA MEXICO TAIWAN THAILAND VENEZUELA, VIETNAM	Tariffs, Export Rebates, Phytosanitary Restrictions Phytosanitary Restrictions Tariffs and Miscellaneous Charges Alleged Dumping, Apple Maggot Tariffs Apple Maggot, Tariffs, Phytosanitary Restrictions Most Varieties Prohibited, Dumping of AJ Concentrate, Tariffs, Phytosanitary Restrictions Phytosanitary Restrictions Tariffs, Entry Pricing Systems Tariffs Tariff Rate Quotas Phytosanitary Restrictions, Export Protocols, Tariffs, Variety Limits Phytosanitary Requirements, Tariffs Costly pre-clearance procedures, Border Clearance, Tariff Rate Quotas, Minimum Reference Price Tariffs, Phytosanitary issues Tariffs, Minimum Value System Tariffs

GRAIN	E.U.	Tariff Rate Quotas
ONIONS	KOREA	Tariff Rate Quotas
OATS	E.U.	Export subsidies, Domestic Support
PEAS, LENTILS, CHICKPEAS	BRAZIL, CHILE, PERU THAILAND	Fumigation Requirements Tariffs
POTATOES (FRESH)	CANADA CENTRAL AMERICA CHINA, JAPAN MEXICO TAIWAN	Domestic Support, Anti-Dumping Penalties, Prohibition on Bulk Shipments, Phytosanitary Restrictions Tariffs Phytosanitary Restrictions Phytosanitary Restrictions, Tariff Rate Quotas Late Blight, Tariff Rate Quotas
POTATOES, PROCESSED	CHINA INDIA KOREA JAPAN MEXICO TAIWAN, THAILAND VIETNAM	Sulfite Tolerance, Phytosanitary Certificates Tariffs Tariff Rate Quotas, Product Misclassification, Identity Preserved Sulfite Tolerance Tariff Rate Quotas Tariffs Tariffs
POTATOES, SEED	BRAZIL CANADA MEXICO	Potato Seed Certification Protocols Double Testing for Bacterial Ring Rot Phytosanitary Protocols
PROCESSED FOODS	CHINA JAPAN	Processed Fruits and Vegetables-- Phytosanitary Certificates Ingredient Restrictions
SEED	AUSTRALIA BRAZIL CANADA CHINA E.U. KOREA PHILIPPINES	Alfalfa --Verticillium Wilt, Corn, Sweet – Various Diseases Seed Certification Protocols Non-recognition of U.S. seed certification procedures and labs, variety registration process Corn – Phytosanitary Requirements, Grass – Phytosanitary Issues, Protection of proprietary varieties Alfalfa --Unreasonable Record-Keeping Requirement, Phytosanitary issues Grass -- Pests and diseases
SUGAR	CANADA MEXICO	Imports of Sugar Syrups Excessive Imports
U.S. TRADE AGREEMENTS	WORLDWIDE CHINA	TPA, WTO, CAFTA, Chile FTA, FTAA, Singapore FTA, Others U.S.-China Agreement on Agriculture
WHEAT	AUSTRALIA CANADA CHINA E.U. MEXICO	Australian Wheat Board Canadian Wheat Board, Dwarf Bunt, Flag Smut, Karnal Bunt TCK Smut Tariff Rate Quotas TCK Smut